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Fourth Annual Report
of the
United States High Commissioner
to the Philippine Islands
to the
President and Congress of the United States
Covering the Fiscal Year July 1, 1939
to June 30, 1940
+
Manila, September 1, 1941

FOURTH ANNUAL REPORT
OF THE
UNITED STATES HIGH COMMISSIONER
TO THE PHILIPPINE ISLANDS
TO THE
PRESIDENT AND CONGRESS
OF THE UNITED STATES

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Covering the Fiscal Year July 1, 1939
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MANILA
September 1, 1941

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FOURTH ANNUAL REPORT OF THE UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINE ISLANDS

MANILA, P. I., *September 1, 1941.*

SIR: Pursuant to section 7 (4) of the act of Congress of March 24, 1934, I have the honor to submit herewith the Fourth Report of the United States High Commissioner to the Philippine Islands covering the fiscal year ending June 30, 1940.

I. GENERAL STATEMENT

During the first 3½ months of this period the Hon. J. Weldon Jones was Acting High Commissioner. I was appointed High Commissioner on July 26, 1939, and arrived in Manila in the latter part of October of that year.

During the 12 months covered by this report the Philippines enjoyed a period of domestic tranquillity and peace in sharp contrast with other parts of the Far East. The interests of the people continued to be focused on domestic issues and on future political relations with the United States. Economic conditions were, on the whole, satisfactory until the first half of 1940 when low prices for certain agricultural products reduced the purchasing power of the producers. Owing to the large transfers to the Philippine Treasury of receipts from the United States excise tax on Philippine coconut oil the Commonwealth Government was able to continue large expenditures for public works and other purposes.

On August 7, 1939, the United States enacted the Philippine Economic Adjustment Act which modified in several important respects economic provisions of the Philippine Independence Act. A major purpose of the law was to lessen the hardship on certain Philippine industries of provisions of the Philippine Independence Act designed to taper off preferential treatment of Philippine goods by the United States. It also contained provisions intended to ensure that the coconut oil excise tax funds transferred to the Commonwealth would be used for preparing the country economically for independence in 1946. I conducted negotiations over a period of several months with the President of the Commonwealth leading to the preparation and enactment of budgets for the expenditure of coconut oil tax funds in the 18-month period January 1, 1939, to June 30, 1940, and the fiscal year ending June 30, 1941, respectively. The greater part of coconut oil funds to be expended in these periods was allocated to government-owned corporations, the largest single amount being for the Agricultural and Industrial Bank. Large amounts also were devoted to the construction of roads, flood-control projects, and irrigation projects.

Future political relations between the United States and the Philippines continued to be discussed actively. Considerable support, chiefly in business circles, continued to be evidenced for reexamination of the independence program as advocated by the former High Commissioner Paul V. McNutt. The official stand of the present administration of the Commonwealth Government, however, in favor

of complete political independence in 1946 was not changed. At the same time, the President of the Commonwealth stated publicly that in his opinion the Philippines would not be able to defend their shores against aggression by a first-class power for some time after independence.

The Commonwealth continued its program of military training with the assistance of Gen. Douglas MacArthur, former Chief of Staff of the United States Army. Since 1937 approximately 40,000 men each year have been given 6 months' military training. Expenditures by the Commonwealth for national defense amounted to ₱18,652,-921.54 in the fiscal year 1940, which was 14 percent less than in the preceding fiscal year.¹

In September 1939 the National Assembly approved three amendments to the Philippine constitution. These amendments were (1) to change the existing 6-year term of the President and Vice President without re-election, to a 4-year term with the right to stand for re-election but no president to hold office consecutively for more than 8 years, (2) to change the unicameral legislature to a bicameral one and (3) to vest supervision of elections in an Elections Commission. These amendments were reported to have been approved by plebiscite of the electorate and were approved by the President of the United States subsequent to the end of the fiscal year covered by this Report.

Other legislation by the Commonwealth Government included an immigration act which was designed to curtail the large flow of immigrants from neighboring countries by providing that not more than 500 quota immigrants might enter from any one country. This act, which was to become effective on January 1, 1941, was before the President of the United States for approval at the end of the fiscal year under review.

On the whole the Philippine economy withstood remarkably well the effects of the war. Foreign trade was in large measure adjusted to the cutting off of European markets by increases in trade with the United States and certain other countries. Total foreign trade—that is, exports and imports combined—in 1939 was slightly greater than in 1938 and well above the average of recent years. In the first half of 1940 total trade fell somewhat below the like period of the preceding year. Increased exports of Philippine mined gold were an important factor maintaining the value of exports. It is believed that higher prices contributed largely to maintaining the value of total imports. One effect of the war and cutting off of European markets has been that the economy of the Philippines, instead of becoming adjusted to independence in 1946, has become more and more dependent upon access to United States markets.

Expenditures of the Commonwealth Government continued at a high level in the fiscal year 1940. The extensive public works program, financed chiefly with coconut oil tax funds, was continued and expanded. Total public works expenditures during the 12 months amounted to ₱39,627,220.19 which constituted 23 percent of expenditures for all purposes from the general fund proper and coconut oil excise tax fund. Such expenditures were 132 percent greater than

¹ Owing to a change from the calendar year to a fiscal year ending on June 30, the "fiscal year" 1939 comprised only 6 months of 1939. Military expenditures during this period have been doubled to obtain a figure comparable with such expenditures in the fiscal year 1940.

the expenditures for public works in 1936, the year before coconut oil funds became available for expenditure by the Commonwealth.

Receipts of the general fund proper were considerably greater than in preceding years. Collections of the United States excise tax on Philippine coconut oil in the fiscal year 1940 amounted to ₱34,294,-870.54 which is slightly above the annual average since the tax was first instituted. Owing in part to expenditures under continuous appropriations chargeable to income received in previous years, expenditures in the fiscal year 1940 were considerably greater than current income. The accumulated surplus from previous years in which income had been greater than outgo was correspondingly reduced. The availability of relatively large amounts of coconut oil tax funds, equal in the fiscal year 1940 to 29 percent of general Commonwealth revenues from all other sources, while making it possible for the Commonwealth to make public improvements which will be useful after the Philippines become independent in 1946, has had the disadvantage of accustoming the country to a level of public expenditures far above that which may be anticipated after independence and making the Philippines financially dependent upon the United States at a time when it should be preparing for independence.

Compared with most other countries in recent years, the Philippine public debt and the proportion of governmental revenues required for servicing is not large. New issues during the fiscal year 1940 totaled less than 1 million pesos while contributions to sinking funds amounted to ₱2,586,182.28. On June 30, 1940, the net public debt, as reported by the Auditor General was approximately 75 million pesos. It appeared that collections of the export taxes upon goods shipped to the United States which, under the Tydings-McDuffie Act are to be devoted to the payment of the principal and interest on the bonded indebtedness of the Philippines, would be more than sufficient to retire all such debt in the hands of the public before the date of independence.

The mechanism which protects the Philippine currency and maintains its exchange rate at two pesos to the United States dollar functioned satisfactorily. The volume of currency in circulation decreased considerably during the year. The low prices received by producers of coconuts and other staple products, which impaired the purchasing power of the people and the normal flow of business, had much to do with this decline.

In spite of extremely low prices of certain major Philippine products and generally deteriorating economic conditions the banking system as a whole passed through the fiscal year ended June 30, 1940, including the first 9 months of the war, without extreme difficulty. The legitimate credit requirements of business were met in a generally satisfactory manner and the banks enjoyed a reasonably profitable year. There were no bank failures during the period and a small decrease in the resources of private commercial banks was considerably more than compensated for by the establishment of the government-owned Agricultural and Industrial Bank. The British banks were affected unfavorably by the war and lost considerable amounts of deposits as a result of the unfavorable war news in the spring and summer of 1940. Toward the end of the period under review credit was becoming tight and the banks as a whole were less liquid than at the beginning of the fiscal year. Their reserves, however, continued well in excess of the amounts required by law.

II. OFFICE OF THE HIGH COMMISSIONER

At the beginning of the period under report Mr. J. Weldon Jones the financial adviser, was Acting High Commissioner, the Hon. Paul V. McNutt having left for the United States on May 11, 1939. Mr. McNutt resigned his position as High Commissioner on July 12, 1939, in order to accept appointment as Federal Security Administrator.

MR. FRANCIS B. SAYRE APPOINTED HIGH COMMISSIONER

The appointment of the Hon. Francis B. Sayre as United States High Commissioner to the Philippine Islands was made on July 26, 1939, and was confirmed by the Senate 3 days later. He resigned his position as Assistant Secretary of State on August 7 and took his oath of office as High Commissioner on August 8, 1939.

The High Commissioner remained in Washington until the middle of September, consulting with insular authorities in the Department of the Interior and elsewhere and otherwise familiarizing himself with the duties of his new position. He received final instructions from the President on September 15 and on September 16 left Washington for Manila. He was accompanied by Mrs. Sayre and their two sons, Ralph and William Graves; Dr. Woodbury Willoughby, administrative assistant to the High Commissioner, and Mrs. Willoughby; Mr. George Gray, his secretary; and Miss Anna Belle Newcomb, his confidential stenographer. Mr. Golden W. Bell, legal adviser to the High Commissioner, and Mrs. Bell went to San Francisco by plane and joined the party there.

The party sailed from San Francisco on the S. S. *President Cleveland* on September 26 and arrived in Manila on October 21. Stops were made at Honolulu, Yokohama, Kobe, Shanghai, and Hong Kong. At Honolulu, where the ship remained only a few hours, they were met by Governor Poindexter and Col. Donald C. McDonald, who was formerly on duty with the Bureau of Insular Affairs at Washington and was a member of the Joint Preparatory Committee on Philippine Affairs. At Yokohama the High Commissioner and Mrs. Sayre, as well as other members of the party disembarked and went immediately to attend an official luncheon given for them by Ambassador Grew, rejoining the ship at Kobe.

At Shanghai the High Commissioner conferred with Admiral Hart, Commander in Chief, United States Asiatic Fleet, Mr. Clarence E. Gauss, American Consul General in Shanghai, and others. At Hong Kong the High Commissioner conferred with Governor Northcote and other officials.

The S. S. *President Cleveland*, as it approached Manila on October 21, was met by an escort of United States Army airplanes and by destroyers. As soon as the quarantine flag was down, a welcoming party boarded the ship, comprised of Mr. J. Weldon Jones, financial adviser, who had been Acting High Commissioner; Lt. Comdr. Charles B. McVay, 3d, Naval Aide to the High Commissioner; the Hon. Jorge B. Vargas, secretary to the President to the Philippines; Major Nieto, military aide to the President of the Philippines; and Mr. Guillermo Gomez, collector of customs.

The High Commissioner and Mrs. Sayre, with other members of the party, were taken ashore in a launch, accompanied by the welcoming party, and proceeded to President's Landing near the Manila

Hotel, where they were met by President Quezon; Rear Admiral John Morris Smeallie, Commandant of the Sixteenth Naval District; Maj. Gen. Walter S. Grant, Commander of the Philippine Department, United States Army; Speaker of the National Assembly Jose Yulo; members of the Commonwealth Cabinet; and other ranking officials and members of the official reception committee. A ladies' committee headed by Mrs. Quezon and Mrs. J. Weldon Jones was present to receive Mrs. Sayre.

After a short reception on the pier, the High Commissioner inspected the Guard of Honor composed of United States Army and Philippine Army troops and proceeded to a speakers' platform where he was introduced by President Quezon. The speech of introduction was as follows:

The new United States High Commissioner has arrived and we are here to greet and welcome him with hearts filled with gratitude for no better choice could have been made by the President of the United States than the selection of His Excellency, Francis B. Sayre.

This is the first time, as far as I know, that he lands on these beautiful shores of Manila Bay. But he knows the Philippines and the Filipino people, the beauty and the vast resources of this country, and our economic needs, as well as anyone who has lived with us for many years. He has spent the last 3 years studying the Philippine problem from all angles with the keen mind that he has and the great humanitarian heart that throbs within him. He has learned so much of our needs here that he has done everything within his power to secure for our people and for our country the needed help of the United States. He has represented the President of the United States throughout all the processes that have taken place from the time the President of the United States and I agreed on the appointment of a Joint Preparatory Committee to study carefully the future trade relations between the United States and the Philippines, up to the time when the Congress acted upon the report and recommendations of the committee. The Congress of the United States did not deem it advisable to act at this time on all the recommendations of the Joint Preparatory Committee, but it has adopted to a large extent the recommendations of the committee regarding our trade relations with the United States up to 1946. The Congress has also provided that 2 years prior to the date fixed for the recognition of Philippine independence, a new committee shall be appointed to consider the question of the trade relations between the United States and the Philippines after independence.

For the last 3 years I had been hoping that His Excellency, Francis B. Sayre, might be appointed United States High Commissioner to succeed High Commissioner Paul V. McNutt, whose early return to the United States was anticipated. I had requested him to come with the other members of the Joint Preparatory Committee, but he had some other duties to perform which Secretary of State Cordell Hull was not willing to entrust to other hands, and so his trip had to be postponed. Now he is here with us. He finds a people who know him as well as he knows them. We know his record as adviser to the Government of Siam—of his ability to treat people of different race. We know of his deep interest in our welfare. We know that he is our friend, and we welcome him today with grateful hearts and cordially extend to him the hospitality of our whole country. We hope that he and Mrs. Sayre will enjoy their stay in the Philippines, and may be the man to turn over to the first President of the Philippine Republic the authority and sovereignty of the United States over these Islands.

People of the Philippines; the United States High Commissioner, Francis B. Sayre.

The High Commissioner's response was as follows:

I intend no formal speech this morning. But I feel that I cannot let this occasion pass without telling you how deeply I appreciate this generous and heart-warming reception which you are giving me. It has touched me deeply. And I also want to express to you, President Quezon, and to the other Filipino officials whom I came to know and whose friendship I came to value in Washington my genuine happiness that I am here and my pleasure over the prospect of working shoulder to shoulder with you and your countrymen.

I want to say to the Filipino people how happy and how proud I am that I have been given the chance to throw in my lot with you in helping to work out

the problems which lie before us. In many ways the fundamental problem which we face is unique. Seldom if ever has a great nation in the height of its power because of its profound faith in liberty and democracy helped to create out of its own territory a new nation seeking to work out its independent destiny based upon those same principles. Particularly in these tragic days when the world is torn with bitter struggle, when the rulers of certain nations are throwing the restraints of morality to the winds and would commit the world to the rule of brute force and international anarchy, when the very fundamentals of our hard-won civilization are at stake—in these dark days it is good to have a part in this concrete manifestation of our unshakable faith in the great principles on which our common nation was built and to which it is consecrated.

The happy thing is that the relationships between our two peoples rest not upon contest and struggle and hostility but upon community of purpose and ideals. Do you remember President Quezon's ringing words to the National Assembly last month? "Our loyalty to America," he said, "is built on faith * * * faith in the great principles and ideals for which the stars and stripes proudly wave * * * over a free and happy people." That, I believe, is the truth. Our objectives and fundamental interests are the same. Both peoples alike believe in freedom, and they believe in a democracy based upon law. Both people have contributed richly to these ideals. The achievements of the Filipino people within a single generation have been outstanding and remarkable. Sharing common objectives, surely I need not tell you that the people of the United States genuinely and sincerely desire to further the best interests of the Filipino people so that they may continue their forward march as outstanding exponents in Asia of these great ideals.

Until their independence is consummated the Filipino people are an integral part of the American Nation. We are fellow-Americans. As High Commissioner to the Philippine Islands, I shall not lose sight of this central fact. I shall continue as in the past to devote myself wholeheartedly and unreservedly to promoting the best interests of our Nation—and this means the interests of both peoples. Whatever the future holds, I know that in our common ideals of liberty and democracy—in our unyielding determination to uphold a civilization based upon law, upon moral restraints, upon Christian ethics, we along with all free peoples of the world who prize democracy and human liberty will stand united and ultimately triumphant.

After the High Commissioner had concluded his address he was escorted to his residence by a detachment of the United States Army. He stopped en route to lay a wreath at the Rizal Monument. President Quezon made an official call on him at the residence an hour after his arrival there. The President and Mrs. Quezon gave a state dinner at Malacañan on Thursday evening, October 26, in honor of the High Commissioner and Mrs. Sayre.

THE HIGH COMMISSIONER ADMITTED TO THE PHILIPPINE BAR

On November 18 the High Commissioner was admitted to the Philippine bar at an impressive ceremony held in the court room of the Supreme Court.

INSPECTION TRIPS AND VISIT TO JAPAN

During the year under review the High Commissioner made a number of trips to acquaint himself with local officials and problems in various parts of the archipelago. In December the High Commissioner made a 10-day trip to Mindanao, Jolo, Zamboanga, and Cebu. He visited the suggested sites in Bukidnon for a Jewish refugee colony, and also the Japanese abaca plantations at Davao.

On January 9 and 10 the High Commissioner, accompanied by members of his staff, made a trip of inspection to Corregidor Island and to Fort Drum, which is on a neighboring island. He reviewed the United States troops stationed on Corregidor, which guards the entrance to Manila Bay and is the principal fortification in the Philippines.

On January 17 the High Commissioner motored to Olongapo, to go aboard the U. S. S. *Augusta* and view naval maneuvers as the guest of Admiral Hart.

On January 26 he went with Maj. Gen. Walter S. Grant, Commanding General, Philippine Department, United States Army, to the Bataan Peninsula to observe maneuvers of the American troops in the field. On February 24 he went to Olongapo where he visited places of interest including the naval drydocks.

Early in March the High Commissioner, accompanied by members of his staff, took a 5-day motor trip through the Ilocos Provinces and the Cagayan Valley in northern Luzon. The party stopped at provincial capitals and met local officials in Ilocos Norte, Cagayan, Isabella, Nueva Vizcaya, and Nueva Ecija. Throughout the 5 days' journey the party passed under many welcoming arches, and greeted the cordial crowds at provincial capitals. On a number of occasions the High Commissioner spoke upon matters of local interest.

In April and May the High Commissioner made a short visit to Japan in order to exchange views with the American Ambassador to Japan and others. The High Commissioner traveled as far as Shanghai on the U. S. S. *Augusta*, flagship of the United States Asiatic Fleet, which was changing station from Manila to Shanghai. The *Augusta* sailed at midnight on April 18 and arrived in Shanghai on April 22. Informal conferences concerning the situation in the Far East were held with Admiral Hart, Acting Consul General Richard P. Butrick, and other officials in Shanghai. The High Commissioner took the S. S. *President Pierce* to Kobe, arriving on April 30, and proceeded directly to Tokyo. The High Commissioner and Mrs. Sayre, who accompanied him, were guests of Ambassador and Mrs. Grew during their stay in the Japanese capital.

The Emperor granted an audience to the High Commissioner on May 4, and the Empress received him and Mrs. Sayre immediately afterward. On May 1, Ambassador Grew and the High Commissioner visited Foreign Minister Arita and during the visit the three officials discussed briefly current American-Japanese and Philippine-Japanese problems. This was followed by further conversation on May 2 and 3 between Mr. Sayre and Foreign Minister Arita. On May 10 the party sailed from Kobe for Manila on the S. S. *President Taft*. No stops were made en route and the party arrived in Manila on May 14.

The legal adviser to the High Commissioner, Mr. Golden W. Bell, was designated by the President as Acting High Commissioner during the absence of the High Commissioner.

PUBLIC STATEMENTS OF THE HIGH COMMISSIONER

Shortly before leaving Washington, in September 1939, at an interview with the press, the High Commissioner discussed the problem of adjusting the economy of the Philippines to the independent status scheduled to be attained in 1946. He said that he hoped to do all in his power in assisting in this adjustment.

On October 22, the day following his arrival in Manila, he received representatives of the press. When questioned concerning his attitude toward Philippine independence, the High Commissioner said:

The question of Philippine independence is beset with innumerable difficulties and complications, but the fundamentals of the problem seem clear. During the 40 years that the United States has exercised sovereignty over the Islands, the

Filipino people have been repeatedly assured by both Democrats and Republicans of the intention of our Government to grant them independence. In 1934 Congress, in accordance with these assurances, passed the Tydings-McDuffie Act, prescribing the terms and conditions under which independence is to be achieved. The act was shortly thereafter accepted by the Philippine Legislature, and a Philippine Constitution, adopted in accordance with its terms, was approved by the Filipino people. At its last session Congress, with the approval of representatives of the Commonwealth Government, complemented the political arrangements of the Tydings-McDuffie Act by a program of necessary economic adjustments. The Tydings-McDuffie Act, thus modified, is the law of the land, which only Congress can change. Unless and until Congress does alter this act, it is the duty of American and Philippine officials faithfully to carry out its provisions.

To my mind, the passage by the American Congress of the Tydings-McDuffie Act and the acceptance by the Philippine people of a constitution based upon its provisions constitute a moral obligation not to withdraw the independence program or to alter its fundamental provisions except by the wish of both peoples. If ever the day should come when the Filipino people should decide to change their minds and alter the policy to which they have unyieldingly adhered for over 40 years and should bring such a request before Congress, it would be for Congress, and for Congress alone, to decide upon what course of action the United States should pursue. Such a decision, I need hardly add, would have to be made in the light of such conditions as may then exist in the world and in the Philippines; and what these will be no one can foretell.

The Manila Bulletin, in its special number of March 26, commemorating its fortieth anniversary, contained an interview with the High Commissioner regarding the future of American-Philippine trade and political issues. It forms appendix I of this report.

On another occasion the High Commissioner pointed out that the Filipino people by plebiscite approved the Independence Act and thus far had not shown any appreciable change of attitude. He added that if any change in American-Filipino relations is forthcoming the initiative must come from the Filipino people, because the United States intends to carry out her moral duty of granting independence.

When asked whether it was likely that President Roosevelt would approve the Philippine immigration bill, the High Commissioner said that he could not predict the President's action. He added, however, that the general policy of the United States Government is not to interfere with measures which the Filipino people, the National Assembly, and the President of the Commonwealth approve.

When the High Commissioner was returning to Manila from Japan, a flurry was caused by the publication in the local press of a report that the High Commissioner, in the course of a conversation in Tokyo with the Japanese Foreign Minister Arita, had said that the United States would withhold Philippine independence so long as Japan continues her present policies. One of the Manila newspapers sent a radiogram to the High Commissioner on board his steamer asking if the report were true. His reply was as follows:

The statement that I told Arita that America would withhold Philippine independence so long as Japan continued her present policies is untrue and without any foundation.

My informal talks with the Japanese Minister of Foreign Affairs consisted wholly of an effort to clarify certain aspects of American-Japanese relations and were purely of an informative nature. The question of Philippine independence was not discussed.

The United States High Commissioner was called upon to make during the year a number of public addresses, of which those given on the following occasions were the most important: The banquet of the American Legion on November 11, 1939; the dedication of the new offices of the American Chamber of Commerce on November 13; the

American community's Washington's Birthday celebration; the commencement exercises of the University of the Philippines on April 2; and Foreign Trade Week celebration, on May 25, 1940. These addresses, except the one made at the American Legion banquet, of which there is no transcript, are included in appendix II.

CHANGES IN PERSONNEL AND OTHER MATTERS PERTAINING TO MEMBERS
OF THE STAFF OF THE HIGH COMMISSIONER

During the months of August and September of 1939 the following persons were appointed to the High Commissioner's staff: Mr. Golden W. Bell, legal adviser, appointed August 1, 1939; Dr. Woodbury Willoughby, administrative assistant, appointed August 10, 1939, vice Mr. Wayne Coy; Mr. George Gray, private secretary, appointed September 1, 1939, vice Miss Margaret Headdy; Miss Anna Belle Newcomb, confidential stenographer, appointed September 15, 1939, vice Mrs. Frances Maschmeyer.

Mr. George A. Malcolm, assistant legal adviser, while on vacation in the United States, was appointed Attorney General of Puerto Rico on or about September 1, 1939. Mr. Clyde A. DeWitt, who had been employed on a part-time basis in the Legal Division during the absence of Mr. Malcolm on vacation, continued his connection with the office until November 1, 1939.

Lt. Col. C. M. Thiele, United States Army liaison officer, who had also served as Acting Administrative Assistant, returned to his regular duties on October 31, 1939. Lt. Comdr. Charles B. McVay 3d was assigned on July 28, 1939, as naval aide to the High Commissioner. Lt. William J. Priestley was assigned as junior United States Army liaison officer with the High Commissioner on October 16, 1939.

Mr. Golden W. Bell, legal adviser, and Lt. Col. Robert M. Carswell, United States Army liaison officer detailed to the Office of the High Commissioner, were admitted to the Philippine Bar on February 6, 1940. They were admitted by the Supreme Court upon a motion made by the Secretary of Justice.

Mr. Laurence E. Salisbury, Foreign Service officer, detailed by the Department of State to assist and advise the High Commissioner with regard to foreign affairs, reached Manila on January 8.

The title of Dr. Woodbury Willoughby was changed from Administrative Assistant to Executive Assistant in a letter of the President dated February 13, 1940. This was done in accordance with a recommendation made by the High Commissioner, in order to make the title more descriptive of the functions actually performed.

On March 31, 1940, Mr. George Gray resigned as private secretary to the High Commissioner and was appointed assistant to the legal adviser.

THE BUDGET: APPROPRIATION AND EXPENDITURE, FISCAL YEAR 1940

The appropriation for the Office of the United States High Commissioner for the fiscal year 1940 was \$163,130, as against \$181,930 for the fiscal year 1939.

The no-year construction appropriation made in 1935 was barely sufficient to cover the actual cost of construction of the sea wall at the Manila site and of the buildings at Manila and Baguio. The constructing quartermaster made available some \$40,000 to apply

toward the purchase of furniture and equipment for the two residences and offices, by judicious economies in nonstructural materials and by building by administration a much smaller garage in Manila than had been planned by the Public Architect. This sum was inadequate and was supplemented by \$19,000 from the fiscal year 1939 appropriation and approximately \$15,000 from the fiscal year 1940 appropriation.

It became apparent upon acceptance and occupancy of the new buildings that the annual cost of light and power, maintenance, and custodial service would be greatly increased. The High Commissioner's Office, by becoming its own landlord, was relieved of paying rent, but it was forced to the necessity of maintaining extensive and valuable property at costs which had not been anticipated in the congressional appropriations.

A most serious want of custodial service was in reference to watchmen and guards. The new building at Manila and its grounds required constant guarding against ingress. Without sufficient funds to pay for an adequate guard, the High Commissioner applied to the Philippine Department, United States Army, for the service of military police. This was granted as a temporary expedient. It was also necessary to increase the number of janitors and gardeners and to employ the services of a journeyman electrician and a journeyman plumber.

In the matter of office personnel, it was felt that the regular office force was inadequate to meet the increasing demands resulting from war conditions and special assignments, such as the coordination of enforcement of the neutrality acts and supervision of controlled credits and assets of the invaded countries and their nationals. The unusually high living costs in Manila for Americans, the distance from the United States, and the noncareer character of service in the Office of the High Commissioner without provision for retirement or transfer in 1946 to other Federal services, are causes which have made it extremely difficult to attract and hold suitable personnel for the several advisory and higher clerical positions. The situation in respect to all obligations indicates that appropriations averaging not much less than \$180,000 will be required each fiscal year. Very close economy has been followed since the establishment of the Office, and this policy was particularly followed during the present fiscal year.

During the year the Quartermaster Depot and Finance Office of the Philippine Department, United States Army, continued to procure and disburse for the account of the High Commissioner. The service rendered in these matters was very satisfactory and greatly appreciated.

COMPLETION OF THE HIGH COMMISSIONER'S OFFICE AND RESIDENCES IN MANILA AND BAGUIO

The transfer of the High Commissioner's offices from rented quarters in the Elks Club Building to the newly completed residence-office building took place during the week from February 10 to 17, 1940. The new building provides the staff and employees with more convenient office space, and the living quarters and public rooms of the residence are likewise more suitable than the quarters previously

rented. Unfortunately, however, the funds available for the buildings and grounds at Manila and Baguio were exhausted before the projects were complete. It soon became evident that in preparing the plans—which was done in Washington—due account had not been taken of the special climatic conditions prevailing in the Islands. Owing to the entry of water during heavy rains, deterioration of the property was inevitable unless certain modifications were made in the buildings, particularly at Manila.

As a result of savings with respect to certain items in the regular operating budget, it was possible to use some of the 1940 lump-sum appropriation on the buildings and their equipment. The amount thus made available, however, was small in relation to the sum needed. A special request was made to the Budget Bureau for the provision in 1941 of additional funds.

The residential portion of the Manila building was not completed until May, and the residence at Baguio was not ready for occupancy until after the end of the year under report. Both buildings were formally accepted from the contractors as of April 1, 1940.

TRANSFER OF THE ADMINISTRATION OF PHILIPPINE AFFAIRS FROM THE WAR DEPARTMENT TO THE DEPARTMENT OF THE INTERIOR

The President's Reorganization Plan No. 2 proposed the transfer of the functions of the Bureau of Insular Affairs, War Department, to the Division of Territories and Island Possessions, Department of the Interior. This transfer was made by congressional and executive action and became effective on July 1, 1939.

The Secretary of the Interior was fortunate in having in the position of Director of the Division of Territories and Island Possessions during most of the fiscal year 1940 Dr. Ernest Gruening, who has had wide experience in connection with outlying territories and possessions of the United States, and in securing as Supervisor of Philippine Affairs Mr. Richard Ely, formerly assistant secretary to the Governor General of the Philippines and, from November 15, 1935, to July 20, 1939, Chief Clerk and Passport Officer in the Office of the High Commissioner. In June 1940 Dr. Gruening was succeeded by Dr. Rupert Emerson, a well-known authority on Malaysia. The work of the High Commissioner's Office has been greatly facilitated by the capable and sympathetic handling of Philippine affairs by the officials of the Division of Territories and Island Possessions and others in the Department of the Interior.

III. UNITED STATES-PHILIPPINE RELATIONS

THE PHILIPPINE ECONOMIC ADJUSTMENT ACT OF AUGUST 7, 1939

The Philippine Economic Adjustment Act amended in important respects the economic provisions of the Philippines Independence Act of 1934. The Independence Act, frequently designated as the Tydings-McDuffie Act, embodies a program of granting political independence to the Philippines on July 4, 1946. It was believed, however, that abrupt severance of Philippine-American economic ties at that time would be disastrous to the economy of the Philippines. Free trade carried on between the two peoples since 1909 had stimulated great expansion in a number of industries, chiefly agricultural,

which now account for the bulk of the export trade of the Philippines. These industries could not hope to continue on the same productive scale when subject to the regular import duties of the United States, and their importance is such that adjustment to a nonpreferential tariff treatment by the United States in 1946 would seriously disrupt the economy of the country.

The Independence Act, therefore, had provided that during the interim period of 10 years moderate restrictions should be placed upon Philippine exports to the United States. Duty-free quotas were established for sugar, coconut oil, and cordage, with shipments beyond the quota amounts subject to the full American duty. Provision was also made for the imposition by the Commonwealth of export taxes upon Philippine goods shipped to the United States. These were progressive taxes to be imposed by the Commonwealth Government during the second half of the 10-year period upon all Philippine exports to the United States of products on the American tariff list. Beginning on November 15, 1940 (subsequently changed to January 1, 1941), the Commonwealth Government was to levy during the first year export taxes equal to 5 percent of the existing American duties, and these were to be increased an additional 5 percent each year up to 1946. After the date of independence—that is, July 4, 1946—Philippine export taxes were no longer to be required, but all Philippine products shipped to the United States were to be subject to 100 percent of the American duties. The proceeds of these export taxes were to be paid into the United States Treasury, to be held as a sinking fund for the payment of Philippine bonded indebtedness.

In April 1937, pursuant to an arrangement between the President of the United States and the President of the Philippines, a Joint Preparatory Committee on Philippine Affairs was created to recommend a program for the adjustment of Philippine national economy. This program was to be predicated upon the understanding that preferential trade relations between the two peoples were to be terminated at the earliest practicable date consistent with affording the Philippines a reasonable opportunity to adjust their national economy.

After continuous study extending over a full year, the Committee reached the unanimous conclusion that certain basic Philippine industries would be dangerously disrupted or wiped out if export taxes should be imposed upon them as required under the Independence Act. Accordingly, the Committee recommended that the Philippine export taxes prescribed by the Independence Act should not be imposed upon shipments of coconut oil, cigars, scrap tobacco, and pearl buttons, but that in their stead a quota should be imposed restricting the duty-free shipments of each of these commodities to the United States to a progressively diminishing amount. Furthermore, the Committee felt that “with the loss of preferential treatment for its products in the United States, the Philippines will be obliged to fashion an economy which will be much more self-sufficient than the present one” and that as an inevitable consequence of the abrupt elimination of all Philippine preferences in the American market on July 4, 1946, as provided by the Independence Act, “a number of important enterprises in the Philippines will be forced to liquidate much more rapidly

than new enterprises can probably be developed to replace them." Accordingly, the Joint Committee recommended that instead of the abrupt imposition of full American duties upon all Philippine products beginning on July 4, 1946, American duties should be progressively increased by 5 percent a year, beginning at 25 percent of the full American duties in 1946 and reaching 100 percent in 1961. These two major recommendations of the Joint Committee, together with a number of other minor recommendations, were embodied in a bill introduced in Congress early in 1939.

Various members of the Senate, however, felt that it would be premature at that time to enact trade provisions for the period following 1946. Accordingly, the post-independence provisions were dropped from the bill and provision was made for the calling of a joint trade conference at least 2 years prior to 1946, "for the purpose of formulating recommendations as to future trade relations between the United States and the independent Philippine Republic." It was specified, however, that nothing in the provision for the calling of such a conference should "be construed to modify or affect in any way any provision of the [Independence] Act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent."

As thus modified, the bill substantially embodying the various recommendations of the Joint Committee with respect to the Commonwealth period was passed by Congress and approved by President Roosevelt on August 7, 1939.

In consequence of this enactment, large numbers of Philippine workers, engaged in the production of cigars, scrap tobacco, coconut oil, pearl buttons, and embroideries, have been saved, at least for the present, from being suddenly thrown out of work.

The Economic Adjustment Act also contained important provisions concerning the expenditure of the coconut-oil excise-tax funds turned over by the United States to the Commonwealth Government. This portion of the act is treated in detail, beginning on page 16 of this report.

The Philippine Economic Adjustment Act also authorizes the President of the United States by proclamation to retain in the ownership of the Federal Government after independence any of its present properties, or, with the approval of the Philippine Government, to exchange them for others which he may find suitable for consular and diplomatic establishments of the United States. The act confirms the title of the United States to the lands occupied by the residences and offices of the High Commissioner in Manila and Baguio.

The act also authorizes the assignment of Foreign Service officers of the United States to advise and assist the High Commissioner. In accordance with this provision, Mr. Laurence E. Salisbury was assigned by the Department of State to Manila, arriving on January 8, 1940.

The economic provisions of the Tydings-McDuffie Act had been incorporated into the Philippine Constitution, and therefore the amendments of the Tydings-McDuffie Act by the Economic Adjustment Act required corresponding amendments to the Philippine Constitution. Legislation to provide for the enforcement in the Philippines of certain provisions of the Economic Adjustment Act was likewise required. The following excerpt contains the greater part of

the message by which President Quezon presented the act to the Assembly:

AUGUST 15, 1939.

GENTLEMEN: I take pleasure in transmitting to you for your information and appropriate action an official copy of the Act of August 7, 1939, passed by the Congress of the United States, entitled "An Act to amend an Act entitled 'An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes'". This law embodies substantially the recommendations of the Joint Preparatory Committee on Philippine Affairs, which you have previously approved, as regards necessary adjustments in the economic and other relationships between the United States and the Philippines prior to July 4, 1946. It may be recalled that the original bill introduced in the Senate included provisions continuing preferential trade relations between the two countries until the year 1961, as was recommended by the Joint Preparatory Committee. Instead of those provisions, realizing perhaps that the problems involved could better be solved if action thereon were deferred, the Congress of the United States in this act has directed that a conference be held at least two years prior to July 4, 1946, for the purpose of formulating recommendations as to trade relations between the United States and the Philippines after independence.

The approval of this new law should be regarded by the Filipino people as another indication of the sustained interest of the United States in our welfare and of the desire of the American people to be fair and just to the Philippines and to do everything reasonably necessary to make possible our adequate preparation for independent nationhood. I wish again to make avowal of our gratitude to the Government and people of the United States, and particularly, to President Franklin D. Roosevelt, who, despite the multitude and gravity of the problems confronting the American Nation, had persistently urged the enactment of this law to forestall the ruin of some of our basic industries and to facilitate in some measure our economic readjustment. I also wish to record the Nation's acknowledgement of the eminent public service rendered by Vice President Sergio Osmeña and Resident Commissioner Joaquin M. Elizalde in relation to the approval of this law. Throughout the long process leading to its enactment, they represented the Philippines with dignity and ability of the highest order, and it was partly due to their persistence in the face of seemingly insurmountable obstacles that the measure was finally passed. Our nation's recognition should likewise go to Floor Leader Quintin Paredes, former Secretary of Finance Antonio de las Alas, former Resident Commissioner Camilo Osias, Benito Razon, and other officials of our government who were associated with our representatives in Washington in the effort to obtain the approval of this legislation.

Summarizing the important provisions of this new act, we find that—

(1) It establishes an annual duty-free quota in the United States for cigars, scrap tobacco, and stemmed and unstemmed filler tobacco, coconut oil, and pearl buttons, and relieves them from the payment of the export tax imposed by the Independence Act. With regard to embroideries, in the computation of the export tax to which they are subjected, the value of any cloth of United States origin used in the production thereof is excluded.

(2) It continues until July 4, 1946, the annual quota of 6,000,000 pounds for Philippine cordage, which quota, upon the expiration of the Cordage Act on April 30, 1941, would be reduced to 3,000,000 pounds annually as provided for in the Tydings-McDuffie Act.

(3) It guarantees to Filipino citizens and corporations the enjoyment in the United States and all places subject to its jurisdiction of all the rights and privileges that they enjoyed at the time of the inauguration of the Commonwealth.

(4) While maintaining the prohibition against the use of the proceeds of the excise taxes to subsidize directly or indirectly producers or processors of copra, coconut oil, or allied products, it liberalizes the restrictions now imposed upon the Philippine Government in the expenditure of the proceeds of said taxes by merely requiring that such expenditures be necessary in adjusting the Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for independence, and by expressly authorizing the expenditure of such funds to grant facilities for better curing of copra and for bona fide production loans to copra producers. The President of the United States, however, is authorized to cause the withholding of payments to the Philippine Treasury of the proceeds of excise taxes in case said funds are spent for purposes other than those contemplated in the law.

(5) It expressly exempts copra and Manila fiber (abaca) from the payment of the export tax, so that even if said articles were made dutiable in the United States, they would still be free from said tax.

(6) It establishes regulations for the collection of export taxes and the liquidation of the bonded indebtedness of the Philippines, its provinces, cities, and municipalities, incurred prior to May 1, 1934.

(7) It provides for the acquisition or retention by the United States of such lands and properties in the Philippines as may be necessary for its diplomatic or consular establishments.

(8) It provides for a conference to be held in such manner, time, and place as the President of the United States may determine, at least 2 years prior to July 4, 1946, for the purpose of formulating recommendations as to future trade relations between the United States and the independent Philippine Republic. It is provided that this conference shall be between representatives of the Government of the United States and the Government of the Commonwealth of the Philippines, such representatives, on the part of the United States, to consist of three United States Senators appointed by the President of the Senate, three Members of the House of Representatives appointed by the Speaker of the House, and three other persons appointed by the President of the United States; and on the part of the Philippines, to consist of nine representatives to be appointed by the President of the Commonwealth of the Philippines, with the consent of the Commission on Appointments of the National Assembly.

The provisions that I have briefly outlined will, in my opinion, take care of the most immediate difficulties that many of our industries have to face. The law, however, does not solve adequately nor completely the larger and more important problem of economic readjustment, for unless preferential trade with the United States is allowed to continue for at least 15 years after independence, we could not entertain the least hope that our basic industries, representing a production amounting to about 40 percent of our total annual income, may survive the sudden application of the full American tariff on July 4, 1946. The ruin of these industries would severely affect our economy precisely at a time when the economic base of our national structure needs greatest strength and consistency, for it will occur upon our emergence as an independent state. We are doing everything humanly possible to prepare for that eventuality, but the difficulties of the task must be evident to all who have studied our economy and the degree of its dependence upon preferential trade with America. The Joint Preparatory Committee, recognizing this fact, recommended the continuation of preferential trade after independence. I wish to remark in this connection that preferential trade, to be of any assistance to the Philippines, must consist of effective preferences, such as will permit the gradual adjustment of our industries, looking to their final survival or convenient substitution. It is my hope and abiding confidence that when the economic conference convenes at least 2 years before independence, this matter will receive careful consideration. I am strengthened in this belief because there will be Members of the American Congress in that conference; and I am certain that, once the problem is understood by them, they will do that which is just and fair for the Philippines and the United States.

I believe the Philippines should prepare early for this conference. It is my purpose at your next regular session to submit recommendations to that end.

Aside from the material advantages which this new law will bring to us, there is one other consideration which enhances its significance. When the Independence Act was passed, the Filipino people accepted it on the assurances given to me by President Roosevelt that any inequalities or injustices in the law would be eliminated. This act, in part at least, is a fulfillment of that pledge. Our reliance in America has once more been vindicated, and we have every reason to feel that our faith in her has not been misplaced.

On September 15, 1939, a resolution was passed by the National Assembly approving the amendments, and Commonwealth Act No. 492 was enacted, providing for a plebiscite on them on October 24, 1939. The official results of this plebiscite were 1,393,453 votes for approval and 49,633 votes for disapproval of the amendments, thus incorporating them in the Philippine Constitution.

In order to effectuate certain provisions of the Philippine Economic Adjustment Act, the National Assembly during its third special session passed Act No. 510, authorizing the President of the Common-

wealth to allocate and administer quotas established by the act; and Act No. 511, providing for the imposition and collection of the export tax established by the said act.

The full text of the Philippine Economic Adjustment Act is attached to this report as appendix III (a); that of Act 511 as appendix III (b); and that of Act 510 in appendix VII.

THE QUESTION OF POLITICAL INDEPENDENCE

Notwithstanding the fact that the Independence Act provides for complete independence in 1946, future political relations between the United States and the Philippines continued through 1940 to be the subject of active discussion. Although Filipino political leaders who have spent the greater part of their lives struggling to attain Philippine independence find it well-nigh impossible, now that it is in sight, to oppose it, there is nevertheless a growing feeling of uneasiness on the part of business and other groups lest independence entail grave economic disruption and possible disaster and lest it also lead to conquest of the Philippines by a totalitarian nation.

For several years the Commonwealth has been following a carefully prepared program of military training which it believed would provide sufficient defensive power by 1946 to make an invasion of the Islands too costly to be profitable. In the light of recent international events, however, President Quezon, on March 26, 1940, publicly stated that the Filipinos would not be able to defend their shores against aggression by a first-class power for some time after independence.

President Quezon and other outstanding Filipino leaders have nevertheless continued during the year to advocate political independence in 1946, as scheduled. In his annual message to the National Assembly delivered on January 22, 1940, President Quezon said:

The conquest and subjugation by strong powers of insufficiently defended territories, the not infrequent disregard of international covenants and laws, have of late caused great anxiety in the minds of many peoples both in the United States and in the Philippines, and not a few of them are raising the question whether it is the part of wisdom to carry out the plan already agreed upon of establishing the Philippine Republic in 1946. * * *

The question for us to decide is whether, because of the uncertainty of the future of small nations, we should abandon the idea of becoming independent.

I am unalterably opposed to the prolongation of the present political set-up beyond 1946, because I believe that it is not conducive to our best interests. On the other hand, we cannot consider permanent political relationship with America except on the basis that the Philippines would at least have full and complete power over immigration, imports, exports, currency, and related financial subjects, as well as the right to conclude commercial treaties with other nations, without being subjected to the supervision and control of the United States. This, I am quite certain, is not feasible, considering the present state of public opinion in America. * * *

If we want to have the untrammelled right to govern ourselves as we think best for our own welfare, we must assume the responsibilities that go hand in hand with that right. * * *

We must secure a place, however modest, in the concert of free nations.

COCONUT OIL EXCISE BUDGETS

The Revenue Acts of 1934, 1936, and 1938, which impose a processing tax on the first domestic processing of coconut oil in the

United States, provide that all taxes collected under the act with respect to coconut oil of Philippine production or produced from materials wholly of Philippine growth or production shall be held as a separate fund and paid into the Treasury of the Philippine Islands. The net amounts collected in the United States on Philippine coconut oil since 1934 have been as follows:

	Pesos
June 10 to Dec. 31, 1934.....	15, 280, 762. 90
Calendar year—	
1935.....	35, 777, 805. 84
1936.....	34, 422, 203. 76
1937.....	30, 276, 512. 10
1938.....	32, 653, 184. 92
1939.....	34, 548, 184. 02

The collections of the coconut oil excise tax, which have averaged approximately ₱33,500,000 a year (1935 to 1939),² have been equivalent to from one-third to one-half of the total revenues accruing to the general fund of the Commonwealth Government from all other sources.³ Reports regarding the collection and expenditure up to June 30, 1939, of coconut oil excise tax funds provided for by the Revenue Act of 1934⁴ are contained in the Second and Third Annual Reports of the High Commissioner.

Prior to the enactment of the act of August 7, 1939,⁵ the only statutory provision specifically limiting the purposes for which coconut oil excise tax receipts might be expended by the Commonwealth Government was contained in the following passage from the Internal Revenue Acts of 1934, 1936, and 1938.⁶

All taxes collected under this section with respect to coconut oil wholly of Philippine production or produced from materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine Treasury shall be made under this subsection.

The act of Congress of August 7, 1939, imposed a number of restrictions upon the expenditure of excise tax funds by the Commonwealth Government. Section 6 provides that:

The proceeds of the excise taxes * * * shall be held as separate funds and paid into the Treasury of the Philippines to be used for the purpose of meeting new or additional expenditures which will be necessary in adjusting Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for the assumption of the responsibilities of an independent state: *Provided, however,* That the portion of such funds expended by the Government of the Commonwealth of the Philippines shall be budgeted,

² The transfer of collections of coconut oil excise taxes to the Philippine Government was held in abeyance until the settlement of litigation concerning the constitutionality of the tax. The levy was held constitutional by the Supreme Court of the United States in the case of *Cincinnati Soap Co. v. United States*, 301 U. S. 308, decided on May 3, 1937.

³ The receipts into the general fund of the Commonwealth of income other than coconut oil tax receipts have been as follows:

	Pesos
Calendar year—	
1935.....	68, 764, 362. 07
1936.....	84, 927, 915. 67
1937.....	96, 246, 963. 12
1938.....	88, 350, 981. 43
1939.....	102, 390, 153. 11

⁴ Section 602½ of act of May 10, 1934, 48 Stat. 680, 763.

⁵ C. 502, 53 Stat. 1226.

⁶ Act of May 10, 1934, c. 277, sec. 602½, 48 Stat. 680, 763; act of June 22, 1936, c. 690, sec. 702, 49 Stat. 1742; act of May 28, 1938, c. 289, sec. 703, 52 Stat. 570.

appropriated, and accounted for separately from other moneys of that Government.

It is further stipulated in section 6 that no part of the proceeds of the excise taxes shall be paid:

directly or indirectly as a subsidy to the producers or processors of copra, coconut oil or allied products, except that this provision shall not be construed as prohibiting the use of a portion of said funds for facilities for better curing of copra, or for bona fide production loans to Philippine copra producers.

The restrictions provided in the act of August 7, 1939, were made retroactive so as to apply to all taxes collected on or after January 1, 1939. As a result of this enactment, therefore, the uses to which coconut oil funds could be put differed, depending upon whether they were collected before or on and after January 1, 1939. If collected before January 1, 1939, the purposes for which these funds might be expended by the Commonwealth were limited by the pertinent provision of the Internal Revenue Act of 1934; if collected after January 1, 1939, the purposes for which these funds might be expended were limited by the act of August 7, 1939.

A few days after his arrival, the High Commissioner turned his attention to the problem of working out with the Commonwealth Government a program for the use of coconut oil tax funds in conformity with the act of August 7. On October 31, 1939, at the request of the High Commissioner, President Quezon called on him at his residence to talk over several current matters, the subject of coconut oil taxes constituting the major item in the discussion.

This conference was preliminary in nature and dealt only with the more general aspects of the problem. The High Commissioner stressed the necessity of careful financial planning in order that the Philippines might achieve their aim of economic independence. He called attention to the large cost which economic readjustment would involve and the probability that the excise taxes would be the principal, if not the only, source from which adequate funds could be derived. He discussed the broad outlines of the act of August 7, mentioning the duties of the High Commissioner, and adverted to the fact that its provisions, insofar as they pertained to the use of coconut oil excise taxes, were retroactive to January 1, 1939. An arrangement was reached whereby proposed expenditures of these funds were to be considered by the High Commissioner and President Quezon with a view to reaching an accord before the President submitted them to the Assembly.

Discussions between the members of the High Commissioner's office and Commonwealth authorities began in November regarding the provisions of the act of August 7, 1939, and suitable purposes for the expenditure of the coconut oil tax funds within the bounds specified in the act. From the beginning of the discussions the High Commissioner took the position that he should not play a paternalistic role nor pass upon the intrinsic merits or the economic validity of each project for the use of coconut oil funds. He indicated that it was his belief that Congress intended that the Commonwealth, and only the Commonwealth, should be responsible for the proper economic use of this money, that the function of the High Commissioner was to observe how the Commonwealth proposed to spend and did spend coconut oil funds, with a view to advising the President of the United States whether, in his opinion, the expenditures conformed with the require-

ments of the act of August 7, 1939. In carrying on discussions with President Quezon, however, the High Commissioner felt free to advise him whether or not, in his opinion, proposed uses of coconut oil tax funds would conform to or conflict with the provisions of the act of August 7, 1939, and whether, in his opinion, contemplated expenditures would evoke criticism and antagonism in the United States.

A preliminary draft budget, consisting of a list of projects totaling a sum considerably in excess of the estimated collections for the year 1939, was submitted to the High Commissioner by the Commonwealth officials. After a number of conferences relating to the general subject of the coconut oil excise tax funds, printed draft budgets were prepared by the Commonwealth authorities, which were furnished to the High Commissioner for review and discussion at joint conferences between the High Commissioner and President Quezon and members of their staffs. During the period of negotiations, seven draft budgets were prepared, considered, and revised before President Quezon's recommendations were submitted to the National Assembly.

It was agreed at the outset that it would be desirable to draw up separate annual budgets for the expenditure of coconut oil tax funds. However, in order to bring the coconut oil budgets into conformity with the fiscal year followed by the Commonwealth Government, it was decided to have the first budget cover the collections for the period from January 1, 1939, to June 30, 1940.

The preparation of budgets for the use of coconut oil tax funds was complicated by the fact that prior to the enactment by the United States of the act of August 7, 1939, the Commonwealth Assembly had already made appropriations of these funds greatly in excess of collections prior to January 1, 1939. Net appropriations up to August 7, 1939, of coconut oil excise tax funds totaled ₱351,302,606.71, which was ₱182,447,387.13 in excess of net collections through July 1939.⁷ These appropriations were to apply against future as well as to past collections of excise taxes. As they had been made without reference to the act of August 7, 1939, they were not in all cases consistent with its provisions.

In preparing budgets, in accordance with the requirements of the act of August 7, for the use of coconut oil tax funds collected on and after January 1, 1939, the Commonwealth followed the general policy of interfering as little as possible with appropriations previously made by the Assembly. Items were selected, from among such appropriations, which were deemed to conform to the requirements of the act of August 7. Appropriations which were deemed not to meet the requirements of the act of August 7 were allocated to coconut oil tax funds collected prior to January 1, 1939, or to funds derived from other sources.

In the course of consideration of the draft budgets, satisfactory solutions were found for the various problems which arose with respect to the general factors relating to individual appropriation items contained in the budgets. Although the High Commissioner did not pass upon the economic or social merits of the individual items in the budget proposals, he suggested that a budget, in order to indicate with clarity the general plan or program of the venture to

⁷ The Commonwealth Assembly does not maintain the distinction between authorizations to appropriate and actual appropriations that is maintained by the United States Congress. The appropriation is usually made in the bill to which it appertains. In some cases appropriations are continuing or contingent, based upon future collections.

be undertaken, should provide detailed information in regard to each item.

Among the problems discussed was whether or not an appropriation for the purchase of the capital stock of government corporations would be consistent with the requirements of the act of August 7, 1939. The High Commissioner took the position that purchases of capital stock were not desirable as it would be difficult in such cases to meet the requirement in section 6 of the act that coconut oil excise tax funds must be "budgeted, appropriated, and accounted for separately." He pointed out, also, that the powers of these corporations were such as to permit them to engage in activities not contemplated by the act. It was finally agreed that, as a rule, when coconut oil funds were to be expended by a corporation a special fund would be created which would be administered by the corporation. The law creating the special fund would prescribe that it could be expended only for purposes contemplated by the act of August 7. The operations of such funds would be accounted for and audited by the Commonwealth Auditor General separate from any other funds of the corporation in question.

An exception to the general rule was made in the case of the Agricultural and Industrial Bank. Prior to the enactment of the act of August 7 coconut oil funds had already been allocated to the bank. Furthermore, the general objectives of the bank were believed to be not inconsistent with the act of August 7. It was agreed, therefore, that purchases of capital stock of the bank by the Commonwealth would be chargeable to coconut oil funds collected on or after January 1, 1939, providing that the money derived from such purchases had been expended after January 1, 1939, for purposes consistent with the requirements of the act of August 7: *And provided further*, That the total of such stock purchases should not exceed ₱15,000,000. All future allocations of funds were to be for a special fund to be administered by the bank.

The President of the Philippines on April 1, 1940, submitted to the National Assembly the two coconut oil tax budgets covering, respectively, funds collected from January 1, 1939, to June 30, 1940, and from July 1, 1940, to June 30, 1941. Excerpts from the President's messages explaining the budgets are shown below.

MESSAGE OF THE PRESIDENT SUBMITTING TO THE NATIONAL ASSEMBLY THE COCONUT OIL TAX BUDGET FOR THE PERIOD JANUARY 1, 1939, TO JUNE 30, 1940

The Independence Act, as amended by section 6 of the Economic Adjustment Act, provides that the proceeds of the excise tax on coconut oil collected on or after January 1, 1939, and accrued prior to July 4, 1946, shall be held as a separate fund to be used "for the purpose of meeting new or additional expenditures which will be necessary in adjusting Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for the assumption of the responsibilities of an independent State." The said act also provides that "the portion of such funds expended by the Government of the Commonwealth of the Philippines shall be budgeted, appropriated, and accounted for separately from other moneys of that Government." Accordingly, I am submitting to you herewith a budget covering the collections, actual and estimated, from the coconut oil excise tax from January 1, 1939, to June 30, 1940. Appended to this budget is a statement which shows the operation of the Coconut Oil Excise Tax Fund collected from May 10, 1934, the date when the said excise tax went into effect, to December 31, 1938.

From the very beginning, it has been the intention of the Government of the Commonwealth to use the proceeds of the excise tax on coconut oil to finance a long-range plan of economic adjustment. For this reason, laws have been passed at various times appropriating funds for specific projects requiring a

number of years for their execution. In making these appropriations, the National Assembly took into account not only collections already made but also those which would accrue during the remaining years of the Commonwealth period. In this manner, the National Assembly has appropriated a total of ₱359,381,020.11 chargeable against the Coconut Oil Excise Tax Fund. No part of this amount, however, is being released for expenditure except as needed from time to time and unless it can be covered by actual collections.

The above-mentioned appropriations have been allocated as follows:

1. Total appropriations charged against the collections made from May 10, 1934, to Dec. 31, 1938, including interest on deposits earned in subsequent years-----	Pesos 155,704,961.26
2. Total appropriations chargeable against the collections made on and after Jan. 1, 1939, to June 30, 1940-----	43,943,240.00
3. Appropriations chargeable against the collections to be made on and after July 1, 1940-----	159,732,818.85
Total-----	359,381,020.11

In allocating the said appropriations, care has been taken so that those to be charged against the collections made on and after January 1, 1939, are for purposes authorized by the provisions of the Economic Adjustment Act.

As you will note from the statement accompanying this budget, the total accruals to the Coconut Oil Excise Tax Fund from May 10, 1934, to December 31, 1938, amounted to ₱154,154,502.70. To this sum, there has been added the estimated interest on deposits to be earned up to June 30, 1940, amounting to ₱1,000,000, which makes a total of ₱155,154,502.70. All of this amount has been applied to cover the appropriations previously authorized. On June 30, 1939, there remained an unreleased balance of these appropriations totaling ₱32,069,486.60.

With regard to the collections from January 1, 1939, the sums actually collected up to October 31, 1939, amounted to ₱29,241,128.46 and the collections from November 1, 1939, to June 30, 1940, are expected to reach ₱22,500,000, or a total of ₱51,741,128.46. Out of this total collection, it is proposed to set aside ₱43,943,240 to cover various appropriations authorized by existing laws and chargeable against the Coconut Oil Excise Tax Fund. This will leave a balance of ₱7,797,888.46 from which it is proposed to set aside ₱7,000,000 for the establishment, operation, and maintenance of textile mills, the proposed coconut and tobacco corporations, and agricultural experiment and demonstration stations, and for the consolidation of the various scientific research services of the Government to form a Scientific and Industrial Research Institute, as recommended in my last annual message.

The following authorized appropriations that should or may be charged against the Coconut Oil Excise Tax Fund will remain unprovided for at the end of the fiscal year ending June 30, 1940:

1. For reforestation and afforestation of watersheds, denuded areas, etc., as authorized under Commonwealth Act No. 304-----	Pesos 63,298.04
2. For the construction of national roads, as authorized under section 1-C (Q) of Commonwealth Act No. 330-----	1,500,913.40
3. For the construction of flood-control works, as authorized under section 1-D (x) and (w) of Commonwealth Act No. 330-----	4,000,000.00
4. For additional outlay for the activities of the National Abaca and Other Fiber Corporation authorized by Commonwealth Act No. 332-----	8,450,000.00
5. For the classification, survey, and subdivision of public agricultural lands, under Commonwealth Act No. 347-----	1,037,047.41
6. For the construction of irrigation systems, as authorized under Commonwealth Act No. 369-----	3,520,000.00
7. For the agronomical survey of the Philippines, as authorized under Commonwealth Act No. 418-----	161,560.00
8. For additional outlay for the activities of the National Land Settlement Administration authorized under Commonwealth Act No. 441-----	16,000,000.00
9. For additional outlay for the activities of the Agricultural and Industrial Bank of the Philippines authorized under Commonwealth Act No. 459-----	125,000,000.00
Total-----	159,732,818.85

The above appropriations may be covered from the collections that will accrue to the Coconut Oil Excise Tax from July 1, 1940, to July 3, 1946, inclusive.

In order to comply with the requirements of the Economic Adjustment Act, I recommend the early enactment of the necessary legislation which will authorize the expenditure of the collections accruing to the Coconut Oil Excise Tax Fund from January 1, 1939, to June 30, 1940, for the purposes indicated in this message and in the attached budget.

MESSAGE OF THE PRESIDENT SUBMITTING TO THE NATIONAL ASSEMBLY THE COCONUT OIL TAX BUDGET FOR THE FISCAL YEAR 1941

The estimated collections from the coconut oil excise tax for the fiscal year ending June 30, 1941, amount to ₱34,000,000. Adding thereto the estimated unappropriated surplus of ₱797,888.46 to be carried over from the fiscal period ending June 30, 1940, there will be a total of ₱34,797,888.46. Out of this sum, it is proposed in this budget to apply ₱22,762,818.85 to appropriations authorized by various laws previously enacted, which would remain unprovided for after June 30, 1940. The balance of ₱12,035,069.61 is being made available for (1) scholarships along scientific and technical lines related to the development of industries and other activities that could help in the adjustment of the national economy of the Philippines; (2) the promotion of the tourist trade; (3) continuing the projects of reforestation, afforestation, and agronomical survey; (4) the maintenance and operation of the agricultural experiment and demonstration stations and of the Scientific and Industrial Research Institute to be established; (5) additional outlay to promote the coconut and tobacco industries; and (6) the initial annual outlay to establish a sinking fund reserve for the amortization of the bonded debt of the Manila Railroad Co., for which no sinking fund has heretofore been provided, all of which I recommended in my last regular message to you. For the establishment of the sinking fund reserve for the bonded debt of the Manila Railroad Co., I am proposing an appropriation of ₱8,000,000 in this budget and an annual appropriation of ₱6,000,000 in subsequent years until the full amount of the said bonded debt is fully covered. Under this plan, by the end of the fiscal year 1945, there will have accumulated a sufficient sinking fund reserve to cover the entire bonded debt referred to.

The following authorized appropriations that should or may be charged against the Coconut Oil Excise Tax Fund will remain unprovided for at the end of the fiscal year 1941:

1. For additional outlay for the activities of the National Abaca and Other Feber Corporation authorized by Commonwealth Act No. 332-----	Pesos 7, 450, 000
2. For the construction of irrigation systems, as authorized under Commonwealth Act No. 369-----	2, 520, 000
3. For additional outlay for the activities of the National Land Settlement Administration authorized by Commonwealth Act No. 441-----	12, 000, 000
4. For additional outlay for the activities of the Agricultural and Industrial Bank of the Philippines authorized by Commonwealth Act No. 459-----	115, 000, 000
Total-----	136, 970, 000

The above appropriations may be covered from the collections that will accrue to the Coconut Oil Excise Tax Fund from July 1, 1941, to July 3, 1946, inclusive.

On May 2, 1940, the Assembly passed an appropriation act which authorized the expenditures recommended in the budget for the period January 1, 1939, to June 30, 1939, except with respect to three items. An item of ₱500,000 for a scientific and industrial institute was deleted, and items for special funds of ₱2,000,000 each to be administered by a National Coconut Corporation and a National Tobacco Corporation were left out in order that they might be included in special acts creating the corporations. The act appropriating coconut-oil excise-tax funds collected in the period January 1, 1939, to June 30, 1939 (Act 521), and the acts creating the National Coconut Corporation (Act 518) and the National Tobacco Corporation (Act 519) were approved by the President on May 7, 1940. Similarly,

expenditures from coconut-oil tax funds collected in the fiscal year 1941 were authorized substantially as recommended by the President, the appropriation (Act 552) being approved by the President on May 26, 1940. The following table summarizes the appropriations of coconut-oil tax funds collected from January 1, 1939, to June 30, 1941:

Appropriations, by major purposes, of coconut-oil excise taxes collected from January 1939 to June 1941

Details	January 1939 to June 1940	July 1940 to June 1941
Collections:		
Actual collections from Jan. 1 to Oct. 31, 1939 (based on amounts credited).....	<i>Pesos</i> 29, 241, 128. 46	<i>Pesos</i> -----
Estimated collections from Nov. 1, 1939, to June 30, 1940 ¹	22, 500, 000. 00	-----
Estimated collections from July 1, 1940, to June 30, 1941.....	-----	34, 000, 000. 00
Estimated unappropriated surplus at the beginning of the period.....	-----	797, 888. 46
Total collections.....	51, 741, 128. 46	34, 797, 888. 46
Appropriations:		
Department of Agriculture and Commerce:		
For reforestation and afforestation, etc., Act 304.....	880, 600. 00	288, 298. 04
For classification, survey of agricultural lands, etc., Act 347.....	1, 372, 700. 00	1, 037, 047. 41
For agronomical survey, Act 418.....	88, 440. 00	261, 500. 00
For the establishment and operation of agricultural experiment and demonstration stations, sec. 1754, administrative code.....	500, 000. 00	500, 000. 00
	2, 841, 740. 00	2, 086, 905. 45
Department of Public Works and Communications:		
Construction of national roads and flood-control works, Act 330.....	8, 781, 500. 00	5, 500, 913. 40
For construction of irrigation systems, Act 369.....	1, 270, 000. 00	1, 000, 000. 00
	10, 051, 500. 00	6, 500, 913. 40
Government corporations and other entities: for the creation of a scientific and industrial research institute, etc.....	500, 000. 00	400, 000. 00
For the establishment, equipment, maintenance, and operation of textile mills, etc.....	2, 000, 000. 00	1, 500, 000. 00
For the national abaca and other fiber corporation, etc., act 332.....	2, 550, 000. 00	1, 000, 000. 00
For the National Land Settlement Administration, etc., Act 441.....	4, 000, 000. 00	4, 000, 000. 00
For the Agricultural and Industrial Bank, Act 459.....	25, 000, 000. 00	10, 000, 000. 00
For the promotion of coconut industry.....	2, 000, 000. 00	500, 000. 00
For the promotion of tobacco industry.....	2, 000, 000. 00	500, 000. 00
For a sinking-fund reserve for the bonded indebtedness of the Manila Railroad Co.....	-----	8, 000, 000. 00
	38, 050, 000. 00	25, 900, 000. 00
Office of the President:		
For scholarships in the United States, etc.....	-----	150, 000. 00
For the promotion of tourist trade.....	-----	100, 000. 00
	-----	250, 000. 00
Total appropriations.....	50, 943, 240. 00	34, 737, 818. 85
Estimated unappropriated at the end of the period.....	797, 888. 46	60, 069. 61

¹ Actual collections from Nov. 1, 1939, to June 30, 1940, amounted to P22,751,178.34.

Collections, transfers, and other receipts, appropriations and expenditures of coconut oil excise tax funds from June 10, 1934, to June 30, 1940, and balances on hand at the latter date are shown in table 30 in the section of this report entitled "Financial Statements."

COMMONWEALTH LAWS REQUIRING APPROVAL BY THE PRESIDENT OF THE UNITED STATES

The Independence Act requires that acts of the Philippine Legislature affecting currency, coinage, imports, exports, and immigration

shall not become law until approved by the President of the United States. At the beginning of the period covered by this report there were a number of acts of the Philippine Legislature affecting the above-mentioned matters pending action in Washington. These were the following: Bill No. 2336, approved by the President of the Philippines on November 5, 1936, empowering the President of the Philippines to vary certain tariff rates; Bill No. 11, approved November 5, 1936, prohibiting the export of fibers, seeds, or seedlings of the buri palm; Bill No. 1490, approved November 7, 1936, imposing a tariff on beer; Bill No. 2396, approved November 29, 1936, prohibiting the export of shells; Bill No. 1000, approved June 14, 1939, respecting the valuation of foreign currencies for the computation of customs duties; Bill No. 1244, approved October 9, 1936, to create a reserve bank; and Bill No. 3927, approved September 15, 1938, giving Collectors of Customs discretionary power to impose surcharges.⁸ Of the above Bills, Nos. 2336, 2396, and 1490 were withdrawn by request of the Philippine Assembly contained in Resolutions Nos. 66, 67, and 68 of March 14, 1940, and Bill No. 1244 was withdrawn by the Assembly's Resolution No. 74 of April 19, 1940.

Bill No. 11, which prohibits the exportation of buntal seeds and buri seedlings, was designed to protect the Philippine hat-making industry. It was approved by the President of the United States on June 7, 1940. Bill No. 1000 is a proposed amendment to the law at present in force (the Philippine Tariff Law of 1909, as amended in 1932 by Act 4034 of the Philippine Legislature known as the Parity Law) and its purpose is expressed as follows in the explanatory note submitted to the Legislature with the bill:

The proposed amendment is necessary for the protection of customs revenue, in view of the fact that the devaluation of the American dollar which was not anticipated when the present Parity Law was approved, has brought about a sharp rise in the buying rate of exchange of foreign currencies, such that in many cases the buying rate of exchange of a certain foreign currency greatly exceeds the value prescribed therefor in the Parity Law. Also, while the buying rates of exchange of many foreign currencies have exceeded their prescribed rates, yet there are some currencies the buying rates of exchange of which have remained far below the prescribed rates. That being the case, exporters in countries having depreciated currencies have invoiced their shipments in another foreign currency, or transhipped the goods in another foreign country with advantageous rate of exchange and invoice them in the currency of that third country for the purpose of enabling the importers in the Philippines to pay smaller amounts of duties than what are properly due. Under the circumstances, the government has lost considerable revenue and will continue to lose a great deal more, unless the proposed amendment is adopted.

Bill No. 1000 was forwarded to Washington in June 1939 with the recommendation of the Acting High Commissioner in favor of approval. In Washington it was referred for comment to the Departments of State, Treasury, and Commerce, to the Tariff Commission, and to the Solicitor of the Department of the Interior, with the result that it was concluded not to present the bill in its existing form to the President for approval, and it was returned with the comments of the above-mentioned Washington offices and the protests of several foreign governments to the Commonwealth Government for further consideration.

Upon the passage of Commonwealth Act No. 458 and its approval by the President of the Philippines on June 9, 1939, establishing a

⁸ Bill No. 3927 (designated as Commonwealth Act No. 406) was approved by the President of the United States on December 6, 1940.

reserve bank, it was felt by the High Commissioner's Office that the measure required the approval of the President of the United States under the provisions of section 2 (a) (9) of the Independence Act because it affected currency. Therefore, on November 14, 1939, the Assembly passed Bill No. 1244 amending Act No. 458 so that the measure would require the approval of the President of the United States before it became effective and the bill was forwarded to the President of the United States for his action. However, after further negotiations with the Commonwealth authorities, Act No. 458 and the amending Bill No. 1244 were both withdrawn by Resolution No. 74 of April 19, 1940, of the National Assembly.

Also pending action at the end of the period covered by this report was Act No. 503 approved by the President of the Commonwealth on October 16, 1939, amending the Philippine Internal Revenue Act but leaving for the approval or disapproval of the President of the United States sections 1 and 4 of the amendatory act, levying a percentage tax on Philippine exports and imposing a compensating tax on goods purchased abroad, respectively.⁹

Commonwealth Act No. 511, which was one of the legislative measures passed to effectuate the provisions of the Economic Adjustment Act was submitted to the President of the United States and approved by him on December 12, 1939. It relates to export taxes on Philippine products shipped to the United States after January 1, 1941.

Commonwealth Act No. 512 imposing a wharfage tax on logs exported from the Philippine Islands was approved by the President of the United States on December 22, 1939.

LIABILITY OF EMPLOYEES OF THE UNITED STATES GOVERNMENT TO TAXATION IN THE PHILIPPINES

The matter of the liability of Americans in the Federal services who are stationed in the Philippines to local taxation, notably the residence tax and the Philippine Income Tax, was taken up with the Commonwealth Government in the fall of 1939. Commonwealth Act No. 465, which was approved on June 14, 1939, and went into effect on January 1, 1940, imposed a residence tax on every inhabitant of the Philippine Islands over 18 years of age who was gainfully employed or who possessed property amounting to one thousand pesos or more. It exempted the United States High Commissioner and the members of his staff; the personnel of the United States Army, Navy, and Marine Corps; diplomatic and consular representatives and officers of foreign powers; and transient visitors; but, apparently through oversight, omitted from the exempted list the personnel of the United States Government civilian services represented in the Philippines. It was necessary only to call the attention of the Commonwealth Government to this omission and the matter was corrected by Commonwealth Act No. 557, approved on June 7, 1940, which extended the exemption to the Americans employed in the civilian services of the United States Government, stationed in the Philippines.

With respect to the Philippine income tax it was brought to the attention of the Commonwealth Government that although Federal salaries are now subject to State income taxation, it would be mani-

⁹ These sections of act No. 503 were approved by President Roosevelt on September 21, 1940. His approval was proclaimed by President Quezon on October 16, 1940.

festly unfair for the Commonwealth Government to levy an income tax on Federal salaries. It was pointed out that Commonwealth salaries, by virtue of section 252 of the United States Revenue Act of 1938, are not subject to Federal income taxation and, therefore, that the reciprocity which exists between the Federal Government and State governments on the subject does not obtain as between the Federal Government and the Commonwealth Government.

As a result of these representations Commonwealth Act No. 516 was passed amending the Philippine Internal Revenue Code. This amendment became law on January 1, 1940, and relieved United States citizens residing in the Philippines from the Philippine income tax as to their compensation paid by the Government of the United States or political subdivisions thereof for personal services rendered in the Philippines in compliance with orders from the Government of the United States, and as to their incomes derived from sources within the United States, and provided that no return thereof was required to be made.

RECIPROCITY BETWEEN THE UNITED STATES AND THE PHILIPPINE GOVERNMENT IN THE MATTER OF LEGAL SERVICES

There has been for many years, between the United States and the Philippine Government, for their mutual convenience, an arrangement of comity whereby cases in the Philippines affecting the interests of the United States Government are handled by Philippine officials and cases in the United States affecting the Philippine Government are handled by United States officials.

During the time when the administration of Philippine affairs was a function of the War Department, the Philippine Government cases in the United States were handled by the law officer of the Bureau of Insular Affairs or the Judge Advocate General of the Army. After the transfer of the administration of Philippine affairs to the Department of the Interior, the first arrangement was for the United States Department of Justice to represent the Commonwealth Government in litigation in the United States Courts.

During the month of January 1940 the appellants in the case of *Compañía General de Tabacos de Filipinas v. Collector of Internal Revenue* petitioned the Supreme Court of the United States for a writ of certiorari to review the decision of the Supreme Court of the Philippine Islands. By radiogram of February 9, 1940, the Acting Director of the Division of Territories and Island Possessions informed the High Commissioner that by arrangements with the Department of Justice the case was being handled by the Solicitor of the Department of the Interior and requested that President Quezon make a formal request to the Solicitor that the Commonwealth Government be represented in the case and that he inform the division whether he wished to consent to or to oppose the petition for certiorari. In a radiogram of February 23, 1940, President Quezon requested that the Solicitor of the Interior Department represent the Commonwealth Government in the case and oppose the petition for certiorari. In a radiogram of February 29, 1940, to the division, President Quezon stated that he wished to conform to the reciprocal arrangement by which the handling of litigation in the United States involving the Commonwealth Government was to be handled by the Attorney General of the United States and that he assumed that the Solicitor

of the Department of the Interior was acting in this case through the Attorney General. The same day a letter was received from the Attorney General of the United States in which Attorney General Jackson stated that it was the opinion of the Secretary of the Interior that the handling of litigation for the Philippine Government in the United States courts is a responsibility vested in the Interior Department and that the Attorney General believed that, until a request was made by the President of the Philippines that the President of the United States change this procedure, this arrangement should be adhered to. A copy of the Attorney General's letter was immediately sent to President Quezon. In a letter of March 18, 1940, the Secretary of the Interior stated that "in conformity with the practice in the office of the Judge Advocate General prior to the transfer of the Bureau of Insular Affairs from the War Department to the Interior Department," a request that the Commonwealth Government be represented in litigation in United States courts should be sent in each case through the High Commissioner's office by the President of the Philippine Commonwealth "and should be directed to the Solicitor of this Department." A copy of such letter was immediately sent to President Quezon and this letter constitutes the present arrangement for handling litigation involving the Commonwealth Government in the United States.

APPEALS FROM DECISIONS OF THE AUDITOR GENERAL

A recommendation by the High Commissioner that the wording of Executive Order No. 8135 of the President of the United States dated May 15, 1939, relating to appeals from decisions of the Auditor General of the Philippine Islands, be changed from "within 30 days from the date of the decision appealed from" to read "within 30 days from the date on which a copy of the decision appealed from is received by the party presenting the appeal" met with approval and on June 15, 1940, the President of the United States issued Executive Order No. 8445 making the proposed amendment.

THE PROBLEM OF INDIGENT AMERICANS IN THE PHILIPPINES

Following previous practice, the Commanding General of the Philippine Department, United States Army, has continued to provide, when accommodations were available, free transportation to the United States on Army transports for such indigent Americans as were recommended by the High Commissioner. No case is recommended until thorough examination is made of its merits, usually by the Philippine Red Cross, which has been most helpful and cooperative not only in the matter of repatriation but often in emergency care of American indigents. In most cases the Red Cross has paid the board of these repatriates across the Pacific on the transports.

The number of Americans in the Philippines who find it difficult or impossible to obtain employment has become materially greater in the past several years with the result that their number and condition may soon become a serious problem. This situation is, in part, the aftermath of the "gold boom," which attracted many Americans to the Philippines in the years 1936 and 1937 only to find that no employment was to be had and that living costs were greater than in the United States.

An increasing number of the indigent Americans in the Philippines are elderly persons. Many war veterans who arrived in the early days of American occupation and remained in the Islands are now past the stage of active usefulness, and they are, in many cases, eager to spend their last days in the land of their birth. Many are pensioners of the United States Government and could live on their pension if funds were provided for their transportation home.

Up to the present time the Philippine Red Cross, the American Chamber of Commerce, the various American Masonic lodges, the Pioneers' Club, and other social or fraternal organizations have done excellent work in caring for indigents. There are indications, however, that it will not be possible for the existing agencies to continue indefinitely adequately to cope with the changing situation. Consideration might well be given to the advisability of allocating to the Office of the United States High Commissioner funds for the repatriation of indigent Americans.

IV. FEDERAL SERVICES IN THE PHILIPPINES

UNITED STATES ARMY, PHILIPPINE DEPARTMENT

The Philippine Department during the period under report continued to maintain a high standard of efficiency in training, discipline, and service. Close and friendly relations with the Office of the United States High Commissioner were continued, and the Army's relations with the Commonwealth Government and the Filipino people were most cordial.

The Philippine Department continued to be of valuable assistance to the Military Adviser of the Commonwealth Government and to the Philippine Army by the continued loan of personnel, supplies, and equipment. As of December 31, 1939, there were 4 officers of the Regular Army and 9 enlisted men, of whom 2 were Philippine Scouts, on duty with the Military Adviser. In addition to these, there were 12 officers of the Regular Army and 16 officers and 12 enlisted men of the Philippine Scouts on duty with the Philippine Army.

Changes in the high command of the Philippine Department from July 1, 1939, to June 30, 1940, were:

RELIEVED FROM ASSIGNMENT IN THE DEPARTMENT

Maj. Gen. John H. Hughes, department commander, Fort Santiago, July 24, 1939.

Maj. Gen. Walter S. Grant, department commander, Fort Santiago, May 31, 1940.

ARRIVED IN THE DEPARTMENT

Maj. Gen. George Grunert, assigned as commanding general, Philippine Division, Fort William McKinley, February 14, 1940.

CHANGES WITHIN THE DEPARTMENT

Maj. Gen. Walter S. Grant, from commanding general, Philippine Division, Fort William McKinley, to department commander, Fort Santiago, on July 24, 1939.

Maj. Gen. George Grunert, from commanding general, Philippine Division, Fort William McKinley, to department commander, Fort Santiago, May 31, 1940.

Brig. Gen. Henry C. Pratt, from commanding general, Twenty-third Brigade, Philippine Division, to commanding general, Philippine Division, Fort William McKinley, from July 24, 1939, to February 14, 1940, and from May 31 to June 30, 1940.

The following officers were on special duty in the High Commissioner's Office during the year. Their services were highly efficient and eminently satisfactory.

Lt. Col. Robert M. Carswell, C. A. C., liaison officer with the Legal Division.

Lt. Col. Claude M. Thiele, C. A. C., Army liaison officer, relieved from duty October 31, 1939.

First Lt. William J. Priestley, Infantry, liaison officer, reported for duty with this Office on October 16, 1939.

First Lt. John H. Chiles, Infantry, detailed as temporary assistant liaison officer, relieved from such duty on July 5, 1939.

Notwithstanding the transfer of the administration of Philippine Affairs from the War Department to the Department of the Interior, the Army, acting on instructions of the President, continued to handle payments and the procurement of supplies for the High Commissioner's Office. Commissary and hospital privileges and the recuperation facilities of Camp John Hay were continued as in past years.

As a result of increasing tension in the Far East, frequent consultations were held between the High Commissioner and the commanding officers of the United States Army and Navy stationed in the Philippines. The President of the Philippines also attended these conferences when the subject under discussion involved possible action by the Commonwealth.

THE UNITED STATES NAVY

During the period under report the United States Asiatic Fleet maintained a normal operating and employment schedule. Major units of the fleet operated from North China ports until the middle of October, at which time they returned to the Philippine area for winter training. The fleet again returned to the North China area during the month of April 1940.

On July 25, 1939, Admiral Thomas C. Hart, United States Navy, formally relieved Admiral H. E. Yarnell, United States Navy, as commander in chief, United States Asiatic Fleet. Shortly thereafter Admiral Yarnell returned to the United States and was placed on the retired list.

As a result of the outbreak of the war in Europe, units of the Asiatic Fleet in the Philippines on September 6, 1939, took over the duty of enforcing the United States neutrality laws. The Neutrality Office was first located in the old customhouse. To facilitate the enforcement of neutrality, the U. S. S. *Langley* (seaplane tender) was detached from duty with the United States Fleet and assigned to duty with the Asiatic Fleet, arriving at Manila September 24, 1939. The fleet was further augmented on September 25, 1939, by a 12-plane squadron of patrol bombers, which arrived by air from Pearl Harbor, T. H., on that date. On December 1, 1939, an additional division of 6 submarines was assigned to the Asiatic Fleet.

On May 5, 1940, the Neutrality Office was moved to its present location in the new customhouse.

The naval shore establishment in the Philippines, comprising the sixteenth naval district, was under the command of Rear Admiral J. M. Smeallie, U. S. N. The principal activities consisted of the navy yard, the naval hospital, the radio station at Cavite, and the naval station at Olongapo.

The cooperation and assistance of Admirals Hart and Smeallie and of Lt. Comdr. C. B. McVay, 3d, naval aide to the High Commissioner, were of inestimable importance.

FOREIGN SERVICE OFFICERS

On July 9, 1939, Consul Clayson W. Aldridge, who had been in charge of the American consulate since December 28, 1938, was relieved by Consul Thomas A. Hickok.

As of July 1, 1939, the foreign service of the Department of Commerce was amalgamated with the foreign service of the Department of State, and the Trade Commissioner, Mr. Paul P. Steintorf, and the Assistant Trade Commissioner, Mr. E. E. Schefer, became United States Foreign Service officers, with subsequent commissions as consul and vice consul, respectively. They were, however, temporarily detailed to the Department of Commerce until such time as section 8 (a) (3) of the act of March 24, 1934, might be amended to permit American Foreign Service officers in the Philippines to perform duties in addition to those "official acts and notarial and other services" which such officers might properly perform in respect to the administration of the immigration laws if assigned to a foreign country. Section 8 (a) (3) was amended by the act of August 7, 1939, and the legal limitation on the performance of other than immigration services was ended.

Mr. Laurence E. Salisbury, a Foreign Service officer detailed to the Office of the United States High Commissioner, arrived in Manila on January 7, 1940, and began an investigation of the advisability of expanding the duties of the consulate by absorbing those State Department functions which previously had been performed by other agencies in the Philippines. During the investigation Mr. Salisbury conferred freely with the High Commissioner in regard to various aspects of the question. As a result of Mr. Salisbury's report, it was decided by the Department of State that the activities of the consulate would consist solely of immigration duties and trade promotion. The latter work would continue to be performed by Messrs. Steintorf and Schefer in their new capacities of consul and vice consul, respectively.

The consulate administers the quota of 50 Filipino immigrants into the United States per year and issues visas to nationals of all alien countries. During the fiscal year ended on July 30, 1940, the consulate performed 1,430 visa services, including the issuance of 347 nonimmigrant visas, 30 transit certificates, 221 immigrant visas, and 206 crew-list visas. During the preceding fiscal year, the corresponding figures were 500 nonimmigrant visas, 51 transit certificates, 153 immigrant visas, and 148 crew-list visas.

In the course of the fiscal year under report, the commercial office of the consulate submitted 12 voluntary and 130 called-for trade and commodity reports, 432 world trade directory reports, 57 trade opportunities, 31 lists of foreign firms, and despatched 408 letters dealing with trade promotion and protection. In addition to the

formal reports enumerated, a total of 294 regularly required reports and innumerable specially called for reports on economic subjects were despatched by radio during the year.

PUBLIC HEALTH SERVICE

The United States Public Health Service continued to supervise and conduct the Bureau of Quarantine Service in the Philippines. During the period under report, the Bureau of Quarantine remained under the direction of Dr. H. F. Smith, Medical Director, United States Public Health Service, detailed as Chief, Quarantine District of the Orient.

The Chief Quarantine Officer was assisted by four other commissioned officers of the United States Public Health Service in conducting the quarantine function. The staff of the Bureau of Quarantine Service also includes 5 physicians and 81 employees provided by the Commonwealth Government. The international health situation warranted the continuation of full-time quarantine officers at the ports of Manila, Iloilo, and Cebu. At the other Commonwealth ports of entry—that is, at Aparri, Davao, Jolo, Jose Pañganiban, Legaspi, and Zamboanga—the quarantine function was conducted by quarantine officers who were engaged on a part-time basis. Quarantine activities at the naval stations of Cavite and Olongapo were conducted by commissioned medical officers of the United States Navy, detailed to perform the duties of quarantine officers at these stations, under the supervision of the chief quarantine officer. The United States Public Health Service also maintained two medical officers attached to the American consulates at Hong Kong and Amoy, the duties of these officers being to supervise the embarkation of passengers at these ports destined for the United States and the Philippines. The activities of these officers remain under the supervision of the chief quarantine officer for the Philippines.

The activities of the Bureau of Quarantine Service include the inspection and supervision over all passengers and vessels arriving at ports of the Commonwealth from all ports abroad and the enforcement of the quarantine regulations as they apply to such vessels, their passengers, crews, and cargo; the inspection and supervision of outward-bound passengers and vessels sailing from ports of the Commonwealth direct to ports of the United States; the inspection and vaccination of all personnel engaged on interisland vessels and the enforcement of interisland quarantine regulations when such procedures are required;¹⁰ the physical and mental examination of applicants for American immigration visas to the United States; the maintenance and operation of quarantine stations for the detention of passengers and crews from infected vessels; physical examination of applicants for licenses as marine officers on vessels of Philippine registry; physical examination of applicants for entry into the Philippine Nautical School; the annual physical and medical examination of employees in certain Government bureaus; the maintenance and operation of launches and other vessels used in carrying out the quarantine function and the supervision of arriving and departing aircraft.

The Public Health Service activities in the Philippines, in addition to those above outlined, included the hospitalization and out-patient

¹⁰ The absence of quarantinable disease in the Philippines rendered the application of such interisland quarantine regulations unnecessary during the year under report.

care of persons employed on vessels of the American merchant marine and also the physical examination of all beneficiaries of the United States Employees Compensation Commission residing in the Philippines who required such examinations.

While relations were maintained by the Bureau of Quarantine Service with the Eastern Bureau, Health Organization, League of Nations, at Singapore, for the correlation and dissemination of epidemiological data relating to quarantinable diseases in the Orient, the international situation renders the receipt of such data rather limited. American consulates throughout the Orient continued to forward to the Bureau of Quarantine Service consular sanitary reports from their respective districts. The regulations of the International Sanitary Convention of Paris for Aerial Navigation, The Hague, continued to be enforced at all ports of arrival and departure for airplanes.

The presence of cholera, smallpox, and bubonic plague in nearby Oriental countries created acute conditions which required the enforcement of stringent regulations and intensive prophylactic measures to prevent the introduction of these diseases into the Philippines. As a result of these regulations and prophylactic measures, the Philippines remained free from any case of quarantinable disease throughout the year under report, although numerous cases of such disease arrived at quarantine on vessels from infected ports abroad.

In addition to the enforcement of the quarantine regulations, the Chief Quarantine Officer acts as disbursing agent for the Treasury Department of the United States, handling in this capacity certain accounts for the Office of the United States High Commissioner and the United States Public Health Service. The Chief Quarantine Officer also acts as distributing officer for all checks payable to beneficiaries of the Veterans' Administration residing in the Philippines.

Early in January, Dr. Howard F. Smith, Chief Quarantine Officer, received a commission promoting him to Medical Director, with the rank of full colonel.

His new rank places him near the top in the roster of his service, as the Surgeon General has the rank of brigadier general. Notwithstanding his promotion, Dr. Smith will remain in the Islands.

BUREAU OF INTERNAL REVENUE

The United States Bureau of Internal Revenue maintained throughout the year under report an office in Manila, with Mr. Wilson E. Wells, chief of division of the Maryland collection district, in charge. Mr. W. W. Bereaw, internal revenue agent from San Francisco, who was also attached to the Manila office, continued, under instructions from the Bureau, to survey, determine, and collect delinquent and current United States income, estate, gift, and capital-stock taxes.

UNITED STATES COAST AND GEODETIC SURVEY

This bureau is charged with the survey of the coastal waters and the production of nautical charts of the Philippine Islands. Since the inception of surveys in 1901 the project has been a cooperative one with the Insular Government, and later the Commonwealth Government, paying a portion of the expenses. For the fiscal year 1940 the Commonwealth Government bore 67 percent of the total expenses.

The first survey of the archipelago is nearing completion. There

is still a large unsurveyed area along the west coast of Palawan and another such area in the southwestern portion of the Sulu Sea.

The Director of Coast Surveys, who is appointed by the Director, United States Coast and Geodetic Survey, is the administrative head of the bureau in Manila. The technical and administrative control of the work is thus vested in the Federal Government. During 11 months of the year under review, Commander F. B. T. Siens was Director of Coast Surveys. Commander R. R. Lukens succeeded him on June 1, 1940.

The bureau operates two surveying vessels, the *Research* (formerly *Pathfinder*), owned by the Federal Government, and the *Fathomer*, owned by the Commonwealth Government.

Five commissioned officers of the Coast and Geodetic Survey and one Public Health medical officer are attached to these vessels. In addition, each ship carries a number of Filipino cadet officers who are being trained in the work.

In the Manila office the personnel is largely Filipino, there being but two persons on the Federal pay roll in addition to the Director.

All charts are printed in Manila, where the bureau operates an up-to-date photolithographic plant. A great deal of reproduction work is done for other departments of the Commonwealth Government, as well as for the United States Army and Navy.

A series of topographic maps are issued. Except for the coastal areas where the bureau has made surveys, these maps are compiled from the best extraneous sources available. Before accurate maps of the interior can be made, control surveys in the form of triangulation and levels must be extended over the islands.

The bureau is also preparing a series of five aeronautical charts covering the archipelago. One of these charts has been issued, and the second one will soon be ready for the press.

VETERANS' ADMINISTRATION

The activities of the Veterans' Administration in the Philippines during the fiscal year 1939-40 were under the supervision of Col. Harry T. Herring, manager, with headquarters at Manila, P. I.

The office is located at 911 Muelle de la Industria. It is housed in an antiquated building and in a most undesirable section of the city and is inconvenient for the handling of official business in connection with this administration. The question of removing the office to a more desirable location has been the subject of negotiation with the Commonwealth over a period of years.

Veterans of all wars are assisted in the presentation of their claims for benefits due them under existing laws, which claims have to be referred to the central office of the Veterans' Administration at Washington, D. C., for adjudication. Likewise, surviving widows and dependents of deceased veterans are assisted in submitting claims for burial allowance and death benefits.

There is a medical officer on duty in the local office between the hours of 7:30 a. m. and 3 p. m. who is required to interview claimants applying for physical examinations and hospitalization; and after he has determined that the veterans so applying are eligible, then he is required to give them a physical examination. If, in his opinion, they are in need of hospitalization, he refers them to either the Sternberg

General Hospital at Manila or to the naval hospital at Canacao, Cavite.

Legal aspects of the work are under the supervision of an insular attorney, whose duties consist in advising the manager in all legal matters as well as arranging for the appointment of guardians for incompetent veterans and minor children of deceased veterans who are entitled to benefits of payment of compensation or pension under existing laws. The insular attorney is also charged with the duty of supervising the fiduciaries appointed by the courts of the Commonwealth of the Philippines to serve in the capacity of guardians of the estates of incompetent veterans and minor children of deceased veterans. There is likewise attached to the insular attorney's office 3 field examiners, who are under his immediate supervision and whose duties require them to conduct field investigations incident to claims filed by veterans and their dependents.

Due to the fact that the Veterans' Administration discontinued the service of the disbursing officer, all financial matters pertaining to the issuance of checks and the payment of vouchers are under the immediate control and supervision of Dr. Howard F. Smith, who has been designated by the Treasury Department, Washington, D. C., as disbursing agent. His offices are located in the new customhouse building at Port Area, Manila.

The personnel attached to the local office consist of the manager, insular attorney, 3 field examiners, the medical officer, and 13 clerks.

FEDERAL PERSONNEL ASSIGNED TO THE COMMONWEALTH GOVERNMENT

Aid to the Philippine Bureau of Aeronautics.—Air Corps officers of the United States Army continued to render valuable assistance to the Bureau of Aeronautics, Commonwealth Department of Public Works and Communications, as unofficial advisers. Capt. Frederick A. Bacher was relieved on August 10, 1939, by Maj. Charles Backes.

Aid to the Philippine National Power Board.—Maj. Hugh J. Casey, detailed from the United States Army Corps of Engineers, continued his valuable services as adviser to the National Power Board in its work of developing the water resources and power sites of the Philippines.

Aid to the Philippine census.—Mr. Ray Hurley, detailed from the United States Bureau of the Census, continued to assist and advise the Commonwealth Government in connection with the general census taken as of January 1, 1939. The tabulation, compilation, and publication of all census data under Mr. Hurley's supervision are being completed, and it is expected that the publication of all census reports will be completed by the end of June 1941.

V. FOREIGN AFFAIRS

THE IMMIGRATION BILL

The immigration law of the Philippines in effect up to the end of the period under report was the act of Congress of February 5, 1917, which contains a proviso that the law should be enforced in the Philippines by officers of the Philippine Government until superseded by an immigration act passed by the Philippine Legislature and approved by the President of the United States. For the purpose of assisting in

drafting such an act President Quezon arranged in 1938 for the loan to the Commonwealth of two officers of the United States Government, Messrs. Irving P. Wixon, Deputy Commissioner of Immigration and Naturalization in the Department of Labor, and George L. Brandt, a Foreign Service officer.

The immigration bill drafted by these two men in accordance with the desires of the Commonwealth Government was introduced as an administration measure in the regular session of the Philippine Assembly of 1940. It passed the second reading in the National Assembly on April 12, with certain alterations. The only significant change was the reduction from 1,000 to 500 of the number of quota immigrants permitted annually to enter the Philippines from any one country. The assemblymen were presumably motivated in making this reduction by apprehension of the political and social consequences of admitting into the Philippines large numbers of aliens, especially Chinese and Japanese.

Publication in the press of reports that Japanese officials and the Tokyo press would regard passage of the bill in its revised form as "an unfriendly act" discriminatory against Japan caused considerable resentment among Filipinos; nor was this resentment lessened by the report that Japan had approached Washington for the purpose of having pressure brought to bear upon the Commonwealth authorities to effect revision. Subsequent reports that the United States Government would not attempt to influence the immigration legislation were favorably received by Filipinos.

The Assembly passed the bill on May 2, with the quota at 500, by a vote of 67 to 1. It was signed by President Quezon and was before the President of the United States for final action at the close of the period covered by this report.¹¹

PASSPORT AND IMMIGRATION WORK OF THE OFFICE OF THE HIGH COMMISSIONER

The High Commissioner is charged with the duty of issuing, amending, and extending the validity of passports for Americans and Filipinos. To perform this work it has been necessary to employ a passport agent, a passport clerk, an assistant passport clerk, and a stenographer. The salaries and other expenses in connection with these employees are paid from the lump-sum appropriation for the Office of the High Commissioner. In the performance of his passport work, however, the passport agent acts for the Department of State.

During the fiscal year the Office of the United States High Commissioner issued, in the name of the High Commissioner or the Acting High Commissioner, a total of 1,753 passports, of which 953 were to Americans, 799 to Filipinos, and 1 to an inhabitant of Guam. Renewals of passports numbered 600, of which 496 were American and 104 were Philippine passports. Amendments of passports numbered 315 and extensions 39. Fees in the amount of \$15,511 were collected. Owing chiefly to the outbreak of the war and the restrictions placed by the Department of State on travel in Europe, there were 288 fewer passports issued and 398 fewer renewals than in the previous year.

¹¹ This act was signed by President Roosevelt on August 26, 1940, and became effective on January 1, 1941.

The renumbering of passports begins with the appointment of each new High Commissioner. From October 23, 1939, the day on which Mr. Sayre arrived in Manila, until June 30, 1940, a total of 1,259 passports were issued. Since November 15, 1935, when the Office of the United States High Commissioner was established, 9,239 passports have been issued.

As it is not necessary for Americans entering the Philippines to have passports, many find themselves in the Islands without satisfactory evidence of their American citizenship. Considerable time is expended by the Passport Unit in advising persons whose citizenship status is uncertain. Frequently the matter of obtaining proof of birth in the United States is difficult, and delays, costly and inconvenient to the citizen, are frequent. Assistance is given wherever possible. As required by the passport regulations, however, care is exercised to prevent the issuance of an American passport to anyone whose claim is not well supported by documentary evidence.

The High Commissioner is also charged with the issuance of passports to citizens of the Philippines owing allegiance to the United States. Approximately one-half of the passports issued are to Philippine citizens; and, as birth in the Philippines is not proof of the American citizenship of an applicant, the documentary requirements are usually more rigid than in the case of other American citizens. The examination and copying of documents is a considerable clerical task that taxes the capacity of the small staff of the Passport Unit and requires a great deal of overtime work.

In order that the greatest possible care should be exercised in the admission of aliens into the Philippines, the Commonwealth Government, in July 1939, expressed the desire that—pending the enactment and approval of an immigration law—all alien immigrants coming into the Philippines for the first time, whether for temporary or indefinite stay, excepting tourists or travelers for pleasure or business, transients, and bona fide employees of firms of long standing in the Philippines, should obtain from the Commonwealth authorities prior approval of their application for admission to the Philippines. It was requested that visaing of the travel documents of such applicants should be withheld until their applications had been passed upon by the Commonwealth immigration authorities. This arrangement was made the subject of an instruction by the Department of State to American consular officers, dated August 22, 1939. It is believed that this procedure was beneficial both to the prospective immigrants and to the Commonwealth Government.

Shortly after the outbreak of the war in Europe, a great many persons who had relatives in the affected countries requested the assistance of the Office of the United States High Commissioner in obtaining information, giving assistance, or aiding in the evacuation of such relatives. Although assurance was given that American consulates were doing all in their power to assist Americans and Filipinos alike, an understandable nervousness prompted the sending of messages, to which, in most cases, reasonably prompt and satisfactory replies were received through the Department of State.

The High Commissioner is authorized by Executive order of the President of the United States, dated November 14, 1935, to waive, under certain conditions, passport or visa requirements for aliens seeking to enter the Philippines who are not properly documented.

He has but infrequently exercised this power, however, each case being judged on its merits and the waiver extended only after careful consideration.

The Office of the High Commissioner continued to work in harmony with the authorities of the Philippine Commonwealth Government in the matter of the entry of Jewish refugees. The practice, instituted during the incumbency of High Commissioner McNutt, of requesting the recommendations of the local Jewish Refugee Committee, was continued with satisfactory results. During the fiscal year 1939-40, permission was granted by the Commonwealth Government for the immigration of 211 Jewish refugees, and 257 actually arrived in the Philippines. Since the inception of the arrangement with the local Jewish refugee committee in August 1938, a total of 521 refugees sponsored by that organization have been admitted to the Philippines. Of these, 448 are still resident in the Islands, 29 have reemigrated to the United States, 39 to other countries, and 5 are deceased.

The mission which arrived in the first half of April 1939, to study the possibilities of refugee colonization in Mindanao and other places in the Islands that may be suitable, concluded its work in July 1939. The majority of the mission returned to the United States in the early part of August and presented the mission's report to its principal, the Refugee Economic Corporation of New York. The Refugee Economic Corporation has kindly furnished this Office with a copy of this exhaustive report. The mission found that refugee settlement would be possible in certain of the highland regions of Mindanao and that successful colonization could take place provided the project were adequately financed from the start and operated under competent technical supervision.

The local Jewish refugee committee and a representative of the Refugee Economic Corporation of New York held consultations during the year with Commonwealth officials in an effort to reach an agreement in connection with the proposed settlement of 10,000 Jewish refugees on agricultural projects in the Island of Mindanao.

RELATIONS WITH FOREIGN CONSULAR REPRESENTATIVES

Relations with foreign consular officers stationed in the Philippines continued to be, on the whole, amicable and cordial. The outbreak of hostilities in Europe made it necessary at times on the part of the High Commissioner to make suggestions to foreign consular officers with regard to their activities. Adjustments were made without undue friction. The Office of the High Commissioner served also in some instances as a means of communication between the consular representatives of belligerent nations.

A tendency was noticed on the part of certain consular officers to step outside of the customary field of consular functions and to engage in activities that are more properly handled through diplomatic channels. There were also instances in which foreign consular officers took up directly with Commonwealth officials matters which were within the purview of the High Commissioner or which should more properly have been taken up with the Department of State or with the Office of the United States High Commissioner. The attention of those concerned was informally called to such breaches of appropriate procedure when they were thought deserving of notice.

There were on June 30, 1940, 8 foreign countries represented in the Philippines by career consular officers, 22 foreign countries represented in the Philippines by honorary consular officers, and 1 represented by a consular agent.

SUPERVISION OF FOREIGN EXCHANGE ACTIVITIES

The High Commissioner was informed by a radiogram, dated May 3, 1940, of President Roosevelt's Executive Order No. 8389 of April 10, 1940, amending Executive Order No. 6560 of January 15, 1934, regulating transactions in foreign exchange, transfers of credit and the export of coin and currency in which Norway or Denmark or nationals thereof had an interest. The High Commissioner was also informed of his designation by the Secretary of the Treasury as the person to administer the Executive order in the Philippine Islands.

The program was started on May 13 by Mr. Golden W. Bell, legal adviser to the High Commissioner, with a distribution to all Philippine banks and other interested parties of the initial pertinent documents. On May 17 this work was transferred to the financial division of the office of the High Commissioner and Mr. E. D. Hester, assistant financial expert, was designated to sign on behalf of the High Commissioner documents relating to the enforcement of Executive Order No. 8389. Subsequently, upon his return from leave of absence, Mr. J. Weldon Jones, financial expert in the office of the High Commissioner, was given primary responsibility in the administration of this program.

On May 17 the High Commissioner extended the time limit for filing reports of property held in the Philippines for the accounts of nationals of Norway and Denmark from May 15 to May 30, pursuant to permission received from the Treasury Department. As the texts of various general licenses, rulings, regulations, and amendments to the basic Executive order were received in Manila, they were circularized to all banks, brokers, mining companies, transfer agents, shipping agents, and other interested persons.

By June 17, various amendments to Executive Order No. 8389 had made the property of nationals of the Netherlands, Belgium, Luxembourg, and France subject to the regulations provided in that Executive order, as amended. Reports of property held indicated that control in the Philippines involves chiefly the accounts of nationals of France and the Netherlands. Applications to engage in foreign exchange transactions received by the High Commissioner during the period under review pertained chiefly to transactions between banks in the Philippines and banks in Hong Kong, French Indo-China, and the Netherlands East Indies.

Treasury General Ruling No. 5 on June 6, 1940, pertained to the control of the importation of securities into the Philippines. The High Commissioner was informed of his designation by the Secretary of the Treasury as the person to enforce this general ruling in the Philippine Islands. This work was also assigned to the financial expert. The Commonwealth Government was requested to issue an Executive order to effectuate the purposes of General Ruling No. 5. Commonwealth Executive Order No. 281, which was signed by the President of the Philippines on June 15, establishes a procedure under which postal and customs authorities deliver to the office of the High Commissioner for examination all securities or evidence thereof imported into the Philippines. Commonwealth Executive Order No.

282, issued by the President of the Philippines on June 22, extended the securities control to cover importations of securities from France.

Securities imported into the Philippines consist largely of certificates of stock in Philippine gold mining companies. These stocks are rather widely held in China, the Netherlands East Indies, and Hong Kong. Disturbed conditions in Hong Kong caused a considerable number of these securities to be sent into the Philippines for safe keeping. This movement was beginning as the period under review closed.

Up to June 29, 70 applications for foreign exchange transactions had been received and licenses issued. Seventeen applications for the importation of securities had been approved and the securities released. In accordance with instructions, the originals of all documents were dispatched to the Secretary of the Treasury, Washington, D. C.

The cooperation of local banks and other parties concerned in the administration of the control of foreign exchange and the importation of securities has been satisfactory in all respects.

VI. THE COMMONWEALTH GOVERNMENT

PROPOSED AMENDMENTS TO THE CONSTITUTION

The Honorable Jose Yulo, Speaker of the National Assembly, making the keynote speech at a convention of the Nationalista Party in Manila on July 6, 1939, pronounced in favor of independence in 1946 and the amendment of the Constitution to permit the reelection of the President and to reestablish the Senate. Affirmative action was taken by the convention.

On September 15 of that year, by a vote of 81 to 6, the National Assembly approved three amendments to the Constitution and passed an act to submit them to a plebiscite. The amendments, respectively, provided as follows:

1. To change the existing 6-year term of the President and the Vice President without reelection, to a 4-year term, with the right to stand for reelection, but no president to hold office consecutively for longer than 8 years.

2. To change the existing unicameral legislature to a bicameral one by revival of the Senate and to fix the annual salaries of members of both houses at ₱7,200, an increase of ₱2,200 per annum over the salaries of the members of the existing assembly.

3. To take the supervision of elections away from the Department of the Interior and to vest it in an Election Commission.

The campaign for the acceptance of the proposed constitutional amendments by the electorate (by plebiscite on June 18, 1940) was vigorously prosecuted throughout the Philippines by President Quezon and other prominent political leaders. Mr. Quezon limited his public utterances primarily to advocacy of the creation of a senate. Popular interest in the amendments appeared to have been primarily the result of this campaign.

Opposition to the amendments centered about the contentions that they were designed to increase the power of the political leaders then in office and that amending the constitution so as to prolong the term of the President of the Commonwealth in office would establish a dubious precedent. It was also alleged that the members of the Senate, although elected at large, would in practice be those selected as candidates by the majority party leaders, thus enhancing further the centralized political control of the legislature. Opponents

of the amendments also maintained that the expense of a Senate coupled with increased salaries for assemblymen was not warranted, and that the Constitution should not be amended until it had been given a longer trial.

Supporters of the amendments denied the validity of these criticisms claiming that the amendments would lessen the likelihood of the development of authoritarian government and would not increase the financial burdens of the government.

The amendments were reported to have been approved by 80 percent of the voters who participated in the plebiscite on June 18. Approximately 52 percent of the electorate were reported as having voted. Following the holding of the plebiscite, President Quezon called a special session of the National Assembly to convene on July 8 "to receive and canvass the returns and certify the results of the election." The High Commissioner received a considerable number of letters charging widespread fraud in connection with the plebiscite. The information and charges contained in these communications were transmitted to the Commonwealth authorities.

SPECIAL SESSIONS OF THE NATIONAL ASSEMBLY DURING THE LATTER PART OF 1939

Sessions of the National Assembly during the latter part of 1939 were as follows:

First special session, August 15 to September 18, 1939;

Second special session, September 25 to September 29, 1939;

Third special session, November 2 to November 14, 1939.

The first special session was called for the purpose of providing for amendments of the Philippine Constitution as required in the Philippine Economic Readjustment Act of August 7, 1939. A resolution was passed by the National Assembly on September 15, 1939, approving the proposed amendments, and Commonwealth Act No. 492 was passed providing for a plebiscite on them. The only other act passed at the first special session was an appropriation of ₱2,550,000 for primary schools.

The second special session was called to enact legislation to meet the emergency caused by the war in Europe. At this session 15 acts were passed and approved by President Quezon (Nos. 494-508), 5 of which relate directly to the emergency (Nos. 494, 496, 498, 499, and 500).¹² Of these emergency measures, the most important is an anti-profiteering law (Act 498) under the provisions of which the President is authorized (1) to purchase and store articles of prime necessity, (2) to fix the maximum selling price of such articles, and (3) to promulgate other necessary rules to prevent shortages or abnormal increases in the prices of those commodities. The amount of ₱10,000,000 is appropriated for use in the discretion of the President, as a revolving fund for the purpose of the act. The authority conferred on the President by the measure could be exercised until "the date of adjournment of the next session of the National Assembly."

Other emergency measures impose a prohibition on the sale of vessels and shipping facilities owned by Filipinos except under specific authority of the President (Act No. 499), authorize the President to take over for government use any public service or enterprise (Act

¹² See Economics Section below for discussion of economic aspects of Act Nos. 444, 466, 470, 494, 496, 497, 498, 499, and 507.

No. 496), authorize the President to suspend the operation of the 8-hour labor law (Act No. 494), and authorize the President to suspend or abandon government services of no immediate necessity in order to decrease expenditures (Act No. 500). A discussion of the more outstanding emergency acts will be found in the economic section of this report.

The third special session was called to enact the legislation necessary to implement certain provisions of the Economic Adjustment Act. It enacted three laws; Commonwealth Act No. 509 appropriating an additional ₱1,371,150 for public schools; Commonwealth Act No. 510,¹³ authorizing the President of the Commonwealth to allocate and administer quotas; and Act No. 511, providing for the imposition and collection of the export taxes. Act No. 511,¹⁴ since it affected exports, required the approval of the President of the United States and was approved by him on December 12, 1939.

LAWS ENACTED AT THE SECOND SESSION OF THE SECOND NATIONAL ASSEMBLY

The second session of the Second Philippine National Assembly convened on January 22, 1940, and on that date listened to the message of the President of the Philippines. President Quezon, after alluding to world conditions and to the necessity that the Assembly should bear in mind the need for economic adjustment in the Philippine Islands, presented the following subjects as in his opinion requiring legislation:

(1) The obtaining of higher wages and better living conditions for laborers, especially those in the mining and sugar industries.

(2) The acquisition of large estates and their sale in small parcels to occupants.

(3) Slum clearance and improved housing conditions for urban laborers.

(4) Expropriation of more land with emphasis on controlling the method of assessment in such cases.

(5) Amendment of the ejectment laws to assist tenants who have improved their land.

(6) The revision of the immigration laws so that the unemployment of Philippine citizens would be relieved.

(7) Establishment of a sinking fund from the coconut oil excise tax fund for the amortization of the bonds of the Manila Railroad Co. amounting to ₱26,472,000 to mature in 1956.

(8) The organization of cooperatives for consumers, producers, and small merchants to eliminate profits made by middlemen and entrepreneurs.

(9) The creation of coconut and tobacco corporations to assist those respective industries.

(10) The establishment of experiment stations to develop new crops and to promote diversification of products.

(11) The consolidation of all scientific research activities into one scientific research institute.

(12) The continuation of expenditures for public works.

¹³ See appendix VII.

¹⁴ See appendix III.

(13) The repeal of the provisions of the real property assessment law which reduced to 50 percent the valuation of coconut, hemp, and other similar improvements.

(14) The holding of a plebiscite on proposed constitutional amendments at a date prior to the municipal elections.

(15) The establishment of a statistics office upon the completion of the current census undertaking.

The second session of the Second National Assembly came to an end on May 8, 1940. There were approximately 800 bills introduced, 87 of which were passed. Of this number, 72 were passed by the Assembly during the last week of the session, including 59 bills passed on the day of adjournment. Of the bills passed by the Assembly 60 were signed by the President of the Philippines, 13 became law by prescription without his signature, and 14 were vetoed.

Assistance for low-income groups was not overlooked. Act No. 538 provides for suspending the effects of ejectment actions commenced against tenants or holders of property of landed estates which the government contemplates acquiring. Act No. 539 authorizes the President of the Philippines to acquire private lands for resale in small lots. Act No. 567, a regulatory tax measure on sugar, attempts to assist the planters of sugar cane who sell their output to large sugar centrals, so that the planters may be able to pay better wages to farm laborers.

Several tax measures were passed. Act No. 523 amends section 255 of the Internal Revenue Code to exempt from the insurance tax those premiums collected by any branch of a domestic firm doing business outside the Philippines if a percentage tax is imposed by the foreign country in which the branch is located. Act No. 524 amends Act No. 464 regarding the remission of taxes and penalties on forfeited property by setting a new time limit for the payment of such taxes. Act No. 525 relates to the percentage tax on automobiles levied by Internal Revenue Act No. 466. Act No. 526 provides that merchants whose sales exceed ₱20,000 annually must issue an invoice for each sale. The owners of real property are required by Act No. 530 to file a sworn statement as to the real value thereof, and the same act creates a Central Board of Tax Appeals. The reduction by Act No. 470 of the assessed value of all permanent plants or trees on any taxable real estate by 50 percent is declared ineffective by Act No. 534. Under Act No. 556 the payment of registration fees of motor-trucks in two installments is authorized. Act No. 567, mentioned above, declares as its purpose the stabilization of the sugar industry and the readjustment of the benefits received by mills, planters, and laborers. The act declares a state of emergency in the sugar industry and uses the taxing power for social objectives. It levies a basic tax of two centavos on every picul of the total marketable sugar manufactured by each central. An additional tax is imposed which increases progressively "at the rate of 5 centavos on every picul of the total marketable sugar manufactured for every 1 per centum by which the share of the mill in the sugar manufactured from the sugarcane belonging to others exceeds 40 but does not exceed 45 per centum of the total thereof and 10 centavos on every picul for each 1 per centum by which such share exceeds 45 per centum." The act provides that the proceeds from the taxes shall constitute a special fund to be known as the "Sugar Adjustment and Stabilization Fund."

A number of the acts relate to purely local administrative matters. Act No. 536 authorizes the payment of full salaries to Justices of the Supreme Court who have served in the government for at least 20 years and who have retired at the age of 70 or who have resigned because of incapacity to discharge the duties of their offices. Widows or descendants of assemblymen who die during their terms of office are granted 1 year's salary by Act No. 522. The mayor of the city of Baguio is given the veto power by Act No. 533. Under Act No. 542 a corporation known as the Girl Scouts of the Philippines is set up. Additional offices in the judiciary are created increasing the number of assistants to the Solicitor General (Act No. 543), the number of district attorneys (Act No. 544), and the number of judges of the courts of first instance (Act No. 545). A number of the acts merely change the names of certain towns (Act Nos. 527, 531, 572, 573, 574, 575, 576, 579, and 582).

A complete list of the titles of the acts passed during the period under report is attached to this report as appendix V.

RESOLUTIONS OF THE NATIONAL ASSEMBLY

Heretofore the annual reports of the High Commissioner have not reported all of the resolutions passed by the National Assembly during the periods under review. Since it is believed that a number of these resolutions are of considerable importance and since it will be useful to have all of the titles of the resolutions in the annual reports for record purposes, a complete list of the titles of all resolutions passed by the National Assembly from the time of the inception of the Commonwealth Government on November 15, 1935, to June 30, 1940, is attached to this report as appendix VI.

EDUCATION

The following extract entitled "New Policy for Support of Schools" from the annual report of this office for the year ending June 30, 1939, is quoted below for convenience of reference:

The original plan for school support had envisioned three general classes of schools: (1) Municipal primary and intermediate schools supported by a percentage of the land tax, half the so-called cedula tax, and such additional funds as the municipal councils might vote out of their general fund; (2) Provincial secondary schools (general high schools) and trade schools (mostly woodworking schools of intermediate grade) supported by provincial funds; and (3) Insular normal and trade, commercial, nautical and other special schools of secondary grade supported by appropriations. In addition the central government supported the cost of superintendence and supervision, and a number of principals, head teachers, and all American and some high ranking Filipino classroom and special course teachers. The system worked excellently from the fiscal side, but resulted in uneven efficiency of lower schools. Municipalities with relatively large revenues were able to provide the funds necessary for expansion of classes to meet the rapid increase of school population. Poorer municipalities and those which declined to vote grants from their general funds fell behind in their educational facilities. As the central government held firm control over curricula and teacher qualifications, the deterioration was more in the quantity than in quality of educational opportunity.

For the past 20 years there had occurred repeated school "crises" in an increasing number of municipalities. The situation had been met by conditional grants by the central government. The depression from 1929 to 1936 coupled with delinquencies in payment of the land tax showed a serious decline in municipal revenues, and a rapid increase in insular aid to municipal schools. With the abolition of the cedula tax, Act 238, conditions of local school support became genuinely critical. Appropriation to the municipalities of amounts equivalent to previous cedula collections, Acts 241 and 375, were but temporary expedients.

The first effort at permanent solution was the enactment in August 1938 of act 381. This law provided that:

(1) The central government shall support all public primary schools (grades 1 to 4).

(2) Local governments shall support intermediate schools (grades 5 to 7) devoting thereto all local funds derived from the real estate tax, the internal revenue allotment, and from other sources: *Provided, however*, That the central government may aid in the support of intermediate schools during the school year 1939-40 only in instances of justifiable inability of the local government concerned to provide the required support.

(3) Local governments may by vote levy a school tax of ₱2 on all inhabitants of both sexes between the ages of 18 and 60, inclusive, for the support of intermediate schools.

(4) The city of Manila shall continue to appropriate for all school purposes not less than the average amount appropriated during the previous 3 years.

(5) Local governments, including the city of Manila, shall continue to provide sites for all types of schools.

The permissive tax feature did not materialize, as only a few municipalities voted the levy. It became an issue in the 1938 Assembly election campaign. It was reported that the country people generally declined to vote the permissive tax and, indeed, asked for its repeal. Their opposition was influenced by the circumstance that the municipal intermediate schools are located in the *poblaciones*, or central villages where they are readily accessible to the children of the professional, land-owning, merchant, and craftsman classes, but not available to the children of the farmers who live in the *barrios*, or scattered hamlets.

There was the further circumstance that by declining to vote the permissive tax, the burden could be put again squarely on the shoulders of the central government.

The failure of Act 381 to meet the situation was evident from the urgency with which a bill to appropriate ₱500,000 to help municipalities support their intermediate schools, was presented by the Assembly. This bill was rushed through at the beginning of the regular session in 1940 and became a law (Act 513) more than a month earlier than any other bill passed at that session. Act 513 remedied the situation for 1 year only and it was apparent that similar deficits would occur year by year unless the central government should abolish or restrict the intermediate schools or shoulder their support.

At the end of the period under report, discussions between the school authorities and the political leaders were in progress looking toward legislation to reduce the years of instruction in the primary and the intermediate grades and to provide for the entrance of children into school at a later age than formerly; the alleged object being to reduce the cost of the primary and the intermediate schools to a figure which would make it possible for the central government to assume the whole burden of support.

NATIONAL LANGUAGE

The Philippine Constitution contains the following provision:

ARTICLE XIII, SECTION 3. The National Assembly shall take steps toward the development and adoption of a common national language based on one of the existing native languages. Until otherwise provided by law, English and Spanish shall continue as official languages.

In accordance with the above, the National Assembly passed Act 184 creating a National Language Institute and empowered the members thereof to select one of the native dialects and to recommend it to the President of the Commonwealth as the basis for a national language. The act authorized the President to confirm such selection by executive order. The dialect selected was Tagalog, the native language of Manila and surrounding provinces. The executive order

was issued on Rizal Day, December 30, 1937, and was announced on that date by President Quezon in his Rizal Day radio address.

Further steps toward the adoption of a national language are specified by Act 184 as follows:

SEC. 8. Upon the proclamation of the national language by the President of the Philippines, it shall be the duty of the National Language Institute to prepare a dictionary and a grammar of the national language. Special attention shall be given to the purification and enrichment of the national language in accordance with the following procedure:

(1) To purify the vocabulary of the national language, the National Language Institute shall safeguard the proper meaning and use of words and expressions of the national language and shall cleanse the same of unnecessary foreign terms, words and constructions.

(2) To enrich said vocabulary, the Institute shall use as a source primarily the Philippine tongues and then, if necessary, Spanish and English, adopting from these languages such terms as are already familiar to the Philippine tongues, having been accepted and being in general use in the same. Whenever it shall be indispensable to form new words, these shall be taken principally from the classical languages, such as Greek and Latin, especially for scientific, literary, and technical uses. Foreign words thus newly formed shall be assimilated to Philippine phonetics and orthography: *Provided, however*, That current spelling of family names of foreign origin and form used by Filipinos shall be preserved in order not to render the identification of persons difficult.

SEC. 9. Not later than 2 years after the proclamation of the national language by the President of the Philippines, the National Language Institute shall publish the dictionary and grammar of the national language prepared as provided for in the preceding section, and the President of the Philippines shall issue orders to the Department of Public Instruction to the effect that, beginning with a day to be fixed by the President of the Philippines, said national language shall be used and taught in all public and private schools of the Philippines, in accordance with the dictionary and grammar prepared and published by the National Language Institute.

At an anniversary banquet of the Philippine Writers' League on February 25, 1940, President Quezon announced that it had been decided that Tagalog should be the medium of instruction in the elementary grades in public schools, after independence. He gave as his reason that it is necessary to have a national language that all the Filipinos can understand. He said that the English language cannot be properly taught by Filipino teachers and the Government cannot afford to pay American teachers.

Subsequently President Quezon issued an executive order providing that Tagalog is to be taught in the fourth year of the high school course and in the fourth year of the normal school course throughout the Islands, beginning with the opening of the school year in June 1940. But even in Manila, the center of the Tagalog region, very few teachers are available, and in many other regions where other dialects than Tagalog are spoken no teachers are to be found because the Tagalog that is to be taught is not the vernacular but a purified version wherein all foreign words are eliminated so far as possible. The hundreds of foreign words that have crept into the vernacular as a result of contacts with other peoples do not become a part of the official language until they are formally admitted by the National Language Institute.

There exists at present as authority for words that may be taught only a very limited and inadequate vocabulary issued by the institute. As examples, taken at random to indicate the deficiencies of this vocabulary, it has no words for automobile, telephone, the days of the week, the months of the year or some of the common colors such as blue or green. It does, however, contain such newcomers into the

language as "pitser" for the baseball player known in English as the pitcher, "radyo" for radio, "riporter" for reporter, and such other foreign words as the institute has agreed upon. The National Language Institute is engaged in the preparation of a Tagalog dictionary in which the words and the definitions are all in Tagalog. The director of the institute describes the size of this dictionary as "encyclopedic." It is understood that several years will be required for the completion of this work.

Commonwealth Act No. 570, which became a law on June 7, 1940, provides as follows:

SECTION 1. The national language is declared to be one of the official languages of the Philippine Islands to date from July 4, 1946.

SECTION 2. For the purposes of this act all text books for the primary schools written in the national language or which are necessary for the dissemination of the same by means of the public and private schools or by other agencies or modes of publication, shall be prepared under the supervision of the Office of Education, subject to the approval of the National Language Institute in respect to their linguistic form.

At present English and Spanish are established by law as the official languages of the courts and their records, with the proviso that Spanish shall cease to be so in 1940. The Constitution requires that, until the end of the Commonwealth period, instruction in the public schools shall be primarily conducted in the English language.

LEGAL MATTERS OF A GENERAL NATURE

At the request of the State Department, a review was made of the enforcement in the Philippine Islands of the United States "Buy-American" Act (act of March 3, 1933, c. 212, 47 Stat. 1489), which is applicable to the Philippine Islands, and of a similar act of the Commonwealth Assembly, No. 138 of November 7, 1936. Special attention was given to the purchase by the De la Rama Steamship Co., with money furnished largely by loans from the Commonwealth Government, of three ships to be built at Trieste, Italy; the purchase by the National Development Co. of machinery built in England for a textile mill; and the purchase by the Commonwealth Government of two torpedo boats from a London firm.

The effects of the war in Europe and its extension to additional countries continued to be the source of an increasing number of problems. Shipping facilities in the Pacific were affected greatly by the invasion of Denmark, Norway, Holland, and Belgium. In Hong Kong the Danish boat, the *M. S. Peter Maersk* was seized by the British authorities, while other Danish boats stopped their scheduled runs until an arrangement between the owners of the boats and the British authorities could be reached. Much of the cargo on all of such vessels was consigned to Manila, and every effort was made to assist the consignees to have their goods released for transshipment to the Philippine Islands. Prize court proceedings were begun in Hong Kong in which consignees could appear and obtain their goods after proving title to the goods as well as their neutrality and after providing for insurance averages. The problem was disposed of when the British authorities and the owners of the detained boats finally came to an agreement which allowed all of such ships to continue their scheduled voyages. Suspension of the Danish boat service and other factors seemed likely to result in a serious shortage in shipping facilities between the United States and the

Philippine Islands. Consideration was given to a proposal that the De la Rama Steamship Co. purchase four Norwegian boats which had been serving in the Philippine-American trade, but after the matter was taken up with the Department of State it was decided that such action would not be appropriate at that time.

It was necessary to continue the answering of numerous inquiries in regard to the transportation of freight and passengers under the neutrality act, such as whether or not the prepayment of freight constituted an extension of credit within the meaning of section 8 (a) of the act, etc. Further study was made of the jurisdiction of the courts of the Philippine Islands to enforce the provisions of the neutrality act in the absence of an express grant of jurisdiction to the courts in the act itself, and a comprehensive memorandum was prepared on the question and submitted to the Department of State. The nature of the inquiry required an investigation of other Federal criminal statutes in force in the Philippine Islands, and the jurisdiction of the Philippine courts over violations of their terms. An effort was made before the entrance of Italy into the war to assist the Philippine Government in obtaining goods which had been ordered from Germany and other European countries affected by the war. Applications of nationals of belligerent countries to collect contributions for war relief purposes continued to be filed.

Complaints from American book dealers in the United States and Manila that pirated copies of American books printed in China were being sold in the Philippine Islands gave rise to the question whether the United States copyright laws are in force in the Philippine Islands. The situation was discussed with the Commonwealth Government in an attempt to prevent the importation into the Philippine Islands of Chinese pirated editions. This was explained to various publishers who inquired respecting the subject, and the matter was also presented through the Division of Territories and Island Possessions to the United States Copyright Office in Washington.

Investigation was made of the system of drug control in the Philippine Islands under international treaties, necessitated by the fact that the hoarding of certain drugs by a few Philippine companies apparently prevented other companies from obtaining narcotics necessary for medical purposes. The Department of State was advised of the situation and suggestions were made which promised to alleviate the difficulty.

Complaints of representatives of foreign countries in the Philippines routed through the High Commissioner's office continued to demand attention. The subject of the deportation of British Indians who originally entered the Philippine Islands as "merchants" but had discontinued that status was the subject of correspondence between the British Consul General, this office, and the Commonwealth Government, resulting in the withdrawal by the Commonwealth Government of deportation proceedings brought against several Indians.

The right of Netherlands subjects to bid for construction of public works in the Philippine Islands on the basis of reciprocity was presented by the Netherlands Consul General and by the Netherlands Minister at Washington through the Department of State. That Consul General and the Asiatic Petroleum Co. contested the levy by the Collector of Customs of an ad valorem duty on petroleum products

imported from the Netherlands East Indies which included an internal revenue tax in the nature of a sales tax imposed in the exporting country. This was the subject of considerable investigation as well as correspondence with the Department of State and the Commonwealth Government. The proposal for a reciprocal air agreement which would result in the establishment of air service between the Philippine Islands and the Netherlands East Indies continued to be the subject of discussion by the Netherlands Minister at Washington, the Department of State, the High Commissioner's Office, and the Commonwealth Government. The definitive views of all the interested parties had not been obtained and definite action had not been agreed upon at the end of the period under report.

Important questions arose in regard to the provisions of the Tydings-McDuffie Act, as amended, and the Cordage Act of 1937 pertaining to quota allotments. Businessmen in the Philippine Islands requested an opinion as to whether manufacturers may export to the United States under their quota allotments coconut oil which they have not processed themselves but have purchased from other processors. The question was investigated and a decision was requested from the Secretary of the Treasury. Also shippers of cordage were interested in finding whether shipments of cordage to certain United States territories must be included in their quota allotments for the United States in view of the fact that the Cordage Act of 1937 contained no definition of the term "United States" while the amendment to the Tydings-McDuffie Act of August 7, 1939 contained a definition differing from that which appeared in the original act. This question also was referred to the Secretary of the Treasury for decision. A discrepancy was discovered in the method of allocating cordage quotas as provided in Quota Administrative Order No. 4 of the President of the Philippines and when attention was called to it, corrective measures were adopted by means of a new quota administrative order.

For some time the President of the Philippines had been contemplating the issuance of an executive order setting out regulations to govern the display of American and Filipino flags. After consideration of the matter Executive Order No. 273 prescribing such regulations was issued by the President of the Philippines on May 11, 1940.

All of the bills introduced in the National Assembly were given careful consideration by this office, and some of them upon the request of various interested parties became the subjects of particular investigation and study. Among the latter was the bill for the stabilization of the sugar industry and the readjustment of the benefits received by mills, planters, and laborers. Various conferences were held on this bill with Commonwealth authorities and with interested parties and their attorneys, in which various objections to the bill were discussed. The Assembly passed the bill, and President Quezon, after giving the opposing interests a hearing, approved it. The bill became Commonwealth act No. 567. He subsequently appointed a Sugar Advisory Committee to administer the Sugar Adjustment and Stabilization Fund set up by the Sugar Act.

Particular study was also given to bill No. 276, proposing a requirement that 80 percent of the employees of an individual or organization hiring more than five persons be American or Filipino citizens. The bill was not passed. Similarly, close study was given to bill No. 1636 which proposed various regulations for the practice

of architecture in the Philippine Islands. The bill also failed to secure passage.

THE RECONCILIATION OF PRESIDENT QUEZON AND GENERAL AGUINALDO

The meeting on June 12 of veterans of the Philippine insurrection to celebrate the anniversary of the Philippine declaration of independence marked the reconciliation of President Quezon and General Aguinaldo after many years of political and personal differences. The primary break in the relationship of the two men occurred in the early 1920's when General Aguinaldo remained loyal to Governor General Leonard Wood during Mr. Quezon's political attack against him. The importance of General Aguinaldo's loyalty was enhanced by the fact that he has been since the insurrection the head of the veterans of that uprising. Later, in 1935, the break was widened by General Aguinaldo's running against Mr. Quezon for the presidency of the Commonwealth.

In previous years the celebration of the declaration of independence has been held in Kawit, Cavite, with General Aguinaldo reviewing from the balcony of his house the veterans of the insurrection in parade. This year the celebration was held in a public square in Manila and the day was declared a partial public holiday by President Quezon, who attended the ceremony with General Aguinaldo. The reconciliation was marked by speeches made by the President and by General Aguinaldo, in which each stressed his esteem for the other.

EXPOSITION PLANNED FOR 1941

On February 15, President Quezon selected a site at Quezon City, which adjoins the city of Manila, for an international exposition in 1941. The funds were to be raised by two sweepstakes races additional to those already authorized by law. It is understood that owing to the unsettled international situation it is now planned to restrict the exhibition to local participants.

THE ANGAT RIVER DAM COMPLETED

On February 22, 1940, President Quezon inaugurated the Angat River Dam which is part of the system supplying water to the city of Manila and which will insure an abundant and unfailing supply of water not only for the present needs of the city and the suburban towns, but for greatly increased need which may occur in the future.

VII. SOCIAL CONDITIONS

PRESIDENT QUEZON ATTENDS LABOR CELEBRATIONS

On July 4, 1939, President Quezon arrived in Manila from a 2 weeks' trip to Mindanao and Sulu and occupied himself with the promotion of cordial relations between the Philippine Government and the laboring class of the agricultural provinces in the great central valley north of Manila. On July 9 he attended a rice planting day at the Buenavista estate where the government had recently taken over the lease and management in order to put a stop to serious trouble between the landlord and the tenants. He planted a handful

of rice seedlings himself and made a speech in Tagalog which was well received although many of his hearers were scarcely reconciled to the new arrangements.

On July 16 President Quezon took part in a farm workers' celebration at Cabanatuan. In his speech he defined the rights and the responsibilities of the tenants under the new tenancy law in language sympathetic with the laborers' interests. On July 19 he attended a rice planting day in San Fernando, Pampanga, which was organized by the conservative labor party of that province.

AGRARIAN TROUBLES

Disagreements between landlords and tenants in several of the provinces in central Luzon continued and became more serious during the year. The deterioration of the situation was in part due to ignorance of the provisions of existing tenancy laws on the part of some landlords and tenants, and in part to intentional disregard of those laws. In some instances landlords gave notice of eviction to tenants without following due process of law and, to force tenants to leave, followed up those notices by refusing to provide the tenants with the usual aids to farming, such as seeds, which is a duty devolving upon landlords. In many instances, with or without a knowledge of the legal aspects of the question, tenants refused to leave the lands from which they had been technically evicted and persisted in attempting to continue farming them. Although in part the increasing difficulties may have been the result of the activities of agitators among the tenants, in no small measure they appeared to be the result of intention on the part of landlords to rid themselves of tenants, legally or illegally, who demanded that the landlords live up to the existing laws.

Certain measures were taken looking toward an amelioration of the situation. An effort was made in Nueva Ecija Province to accelerate tenancy cases pending there in the courts. The Government negotiated the purchase of an estate of more than 2,000 hectares, having 400 tenants, in Pampanga Province, the land to be subdivided into small lots for sale to tenants on installments over a period of 10 years. Leaflets were distributed to tenants of the large Buenavista estate (27,000 hectares) in Bulacan Province in an effort to explain the legal situation existing there and thereby to reduce unrest among tenants and evicted tenants. Steps were taken to alleviate the food shortage existing in the Provinces of Nueva Ecija and Bulacan, which has to some extent been the cause of unrest in those provinces. President Quezon conferred with rice planters of the two provinces for the purpose of eliminating landlord-tenant disputes and of effecting an increased production of rice.

THE TENANCY EXPERIMENT ON THE BUENAVISTA ESTATE

The difficulties of those in charge of the significant experiment on the Buenavista estate to improve the conditions of tenant farmers approached a climax during April 1940.

This estate, which is located in Bulacan Province, in central Luzon, consists of 27,000 hectares and is owned by the San Juan de Dios Hospital, a Catholic organization. The estate was leased in March 1939 for a period of 25 years by the Buenavista Farmers' Cooperative

Association, which is backed by the Commonwealth Government, and was then subleased in small parcels of varying size to 3,212 tenants. The purpose of the cooperative association was to improve the lot of tenants, which had been distressing, and to create an example which could be followed in other areas where the tenancy question is acute. During the first year of the experiment considerable progress was made in improving the condition of the tenants through such measures as the building of roads, irrigation, the use of fertilizers, improvement of livestock, planting of trees, and diversification of crops.

Notwithstanding this measure of success, serious difficulties arose between the lessor (the Cooperative Association) and a considerable number of tenants, the difficulties being primarily the result of activities of agitators among the tenants, many of whom are very ignorant. The agitators, themselves tenants on the estate, are believed to have gained their hold chiefly as a result of two factors: (a) The conditions of the tenants had been so very bad that 1 year was not enough to effect the degree of improvement intended by the cooperative association and (b) the agitators had led many tenants to believe that the land was actually theirs and that they would eventually enjoy outright ownership. In support of this claim of ownership, the leading malcontent, Juan Rustia, had filed a civil suit in December 1937 in an effort to have the property declared illegally held by the San Juan de Dios Hospital. The suit failed in the Court of First Instance and in the Philippine Supreme Court and was then appealed to the United States Supreme Court which dismissed the appeal in February 1940. Reportedly a motion for reconsideration has been filed and Juan Rustia and his fellow agitators as a result thereof continue to mislead the tenants into believing that the property may yet eventually become theirs through legal action. However, it is believed probable that, even if the claim were decided against the San Juan de Dios Hospital, the land would not become the property of the tenants but would revert to the Commonwealth Government.

As a result of the discontent created among certain of the tenants by the agitators and as a result of the false hopes held out, 1,299 tenants failed to pay any rent, although initial payment should have been made in the spring of 1939. The authorities concerned finally set March 31, 1940, as the final date on which payment of rent must be made, after which time those not paying would be subject to eviction. On April 12 the leases of those 1,299 tenants who persisted in non-payment were declared canceled. However, the authorities proceeded cautiously, evidently intending to take drastic action only against those tenants who were leaders in the movement directed against the payment of rent. On April 17 six alleged ringleaders were served notice of eviction. By the end of the month none of those who received orders of eviction had left the estate and the outcome was uncertain. As one effort to improve the situation an order was issued for the arrest of the leader, Juan Rustia, on a minor charge connected with the question of rent payment and as another effort the cooperative association, which had leased the estate from the Catholic owners, submitted a resolution to the Commonwealth Secretary of Finance requesting that the Government purchase the estate.

SOCIAL LEGISLATION

No other item of policy has received so much attention by President Quezon from the outset of the Commonwealth as that of social justice. The policy aimed at the correction of the social evils which had culminated in the Sakdal out-break on the night of May 2, 1935, and the bombings and incendiary fires in Manila on October 3, 1936, and subsequent evidences of labor and agrarian unrest.

President Quezon took executive action and secured the passage of laws to ameliorate the condition of the underprivileged, with a view to allaying discontent and forestalling disorders. He raised the pay of all Government laborers 20 percent and fixed 30 pesos a month as the minimum salary in offices of the Central Government. Social legislation included the following laws: Act No. 103, establishing a Court of Industrial Relations; Act No. 178, authorizing the Commonwealth President to extend to all municipalities the provisions of Act 4054, which provides for the welfare of tenants on ricelands; Act No. 210, providing for death benefits for laborers; Act No. 89, limiting the power of courts and sheriffs to destroy improvements in ejectment proceedings; Act No. 43, exempting from real-estate taxes buildings constructed by business firms for their employees; Act No. 66, providing for free notarization of documents needed in securing small farm loans from the Philippine National Bank; Act No. 213, legitimizing labor organizations; Act No. 104, providing for the safety of persons employed in mines, quarries, metallurgical operations, and other enterprises; Act No. 211, fixing minimum wages for laborers employed by contractors on Government work; Act No. 279, granting to cases involving conflicts between capital and labor priority in the courts over ordinary civil cases; Act No. 303, providing for prompt payment of wages and prohibiting the payment of wages in tokens or anything other than money; Act No. 317, fixing the minimum wage of laborers on public works at 1 peso a day outside of Manila and ₱1.25 in Manila, limiting the working hours to 8, and providing for 20 percent additional to ordinary wages for overtime; and Act No. 368, converting the standing appropriation of ₱250,000 for construction of laborers' dwellings into a revolving fund.

This legislation culminated in Act No. 444, the 8-hour law, which was passed on June 3, 1939, and applies to all persons employed in any industry or occupation, public or private, with the exception of farm laborers, laborers who prefer to be paid on a piece-work basis, domestic and personal servants, and members of the employers' families. It provides for 25 percent over the regular rate of wages for overtime and for all work on Sundays or legal holidays, with penalties up to a 1,000-peso fine or 1 year's imprisonment, or both, for violation of the law by employers. The 8-hour law was received by labor with enthusiasm, because it was considered as an improvement over the legislation of 1933 and 1935 which had attempted to regulate hours of work. Labor, however, had regarded the act as inadequate in certain respects, chiefly in that farm labor was not included within the provisions of the act.

Employers did not like the law, presumably because it necessitated in some instances the employment of additional labor and because it necessitated the payment of overtime wages to persons working more than 8 hours in 1 day. Employers evidently regarded the enactment of the law as an attempt on the part of the Assembly to gain the labor vote, and during the months which followed employers devoted their efforts toward what they termed a "liberalization" of the law. Presumably as a result of their activities, the Assembly appointed a committee to study the law, a development which was regarded by labor as a step in the direction of altering the law to favor employers.

Despite the above-mentioned social legislation, however, labor troubles continued. There were headlines in the newspapers as follows:

- January 6. Agrarian Troubles in Pampanga and Nueva Ecija.
- January 8. One Dead and Three Wounded in Clash at Mexico, Pampanga.
- January 12. Terrorism and Sabotage Rife in Pampanga.
- January 20. Strike Flares Up in Porac But Nobody Hurt.
- January 23. Strike Suspended to Give Quezon Time to Intervene.
- January 27. Quezon Confers With Pampanga Socialists.
- January 26. Labor Unrest Shifts to Bulacan and Laguna.
- January 28. Strike in Pampanga Settled by Conference Between Quezon and Leaders.
- February 10. Quezon Averts Strike by 7,000 Laborers at Calamba Sugar Estate.
- February 23. Thomas Henson, Prominent Sugar Planter, Dies of Wounds Inflicted by Tenants.
- March 9. Labor Seething in Occidental Negroes.
- March 11. Tenants Sack Tarlac Farm.
- March 13. Landlords Closing Farms in Pampanga.
- March 13. Constabulary and Socialists Shoot It Out in Pampanga.

Although some believed that perhaps the progress of reform had been too rapid, the National Assembly, at the regular session which began on January 22 and ended on May 8, 1940, enacted additional social-justice legislation. The following laws to help the low-income groups were passed: Act No. 539, authorizing the President of the Philippines to acquire private lands for resale in small parcels; and Act 567, imposing a tax on sugar, regulated in such a manner that the sugar centrals shall give the planters a larger participation than at present, the object being to enable the planters to pay better wages to laborers.

The only law passed in the meantime which seemed to tend in the opposite direction was Act No. 494, authorizing the President of the Commonwealth to suspend the enforcement of the 8-hour law or to modify it in accordance with emergency conditions. The President did not see fit to use the powers thus conferred upon him.

Other evidences of reaction against social-justice legislation were found in three bills introduced during the regular session of the legislature, which received considerable support but were not passed: One to repeal the 8-hour law outright; one to make strikes, boycotts, picketing, and social agitation illegal; and the so-called 48-hour-a-week bill.

The last mentioned of these three bills was reported to the Assembly on April 23, 1940, by the Committee on Labor and Immigration. It was intended to replace the present 8-hour day with a 48-hour week. It represented a step backward from the viewpoint of labor. For example, under the present law employers must give 25 percent additional pay for overtime beyond 8 hours in any one day, whereas the 48-hour bill provided for a 10-hour working day and a 48-hour week, which might be extended to 56 hours in some industries.

VIII. BUSINESS, TRADE, AND GENERAL ECONOMY

So far as shown by overseas and domestic trade data, the Philippines experienced in 1939 an excellent economic year. The total trade figures were higher than in 1938, and activity in all lines was evenly sustained. Close affiliation with United States economy through free trade—only very moderately limited by the generous quotas on sugar, coconut oil, and cordage—a currency related in fixed ratio to the dollar with more-than-ample reserves, a relatively small public debt duly covered by orderly sinking funds, sound banking facilities at reasonable interest, comparatively low taxes, and very little involuntary unemployment were favorable factors in the economy of the country.

Toward the middle of 1940, economic conditions became less satisfactory. Prices of major Philippine products, such as sugar, copra, coconut oil, abaca, and tobacco, as well as of most minor export products were low and the total value of foreign trade, reduced. As a result of reduced purchasing power, domestic sales declined, stocks tended to increase, and credit became tighter. Uncertainties were added by the unfavorable turn of events in Europe, and by the approach to economic separation from the United States to begin in 1941 with the application of a system of gradually decreasing quotas or gradually increasing export taxes on the bulk of agricultural exports.

The amelioration of the economic terms of the Tydings-McDuffie Act, by its amendment approved August 7, 1939 (see p. 92), was welcomed as in the nature of a reprieve for trade with the United States in cigars, tobacco, coconut oil, pearl buttons, and embroideries. However, the amendment was generally recognized as offering no check to the inevitable decline in national income following the date of independence.

Growing apprehension was felt as to the seriousness of the coming economic shock caused by the termination of trade preferences in the United States. Many felt that the methods of expenditure by the Commonwealth Government of windfall coconut-oil excise-tax funds transferred by the United States to an amount in excess of 25 percent of domestic revenue stimulated governmental extravagance, encouraged uncollectible Government loans, extended the public works program beyond the capacity of domestic revenue to maintain, caused inflation of production costs, and, instead of promoting economic independence, induced financial dependence upon the United States. The declaration of war in Europe was taken in some quarters as a cause to hope that the program would be abandoned or, at least, suspended for the duration of hostilities.

A slow outward flow of capital funds developed in 1939 and increased in the early months of 1940. The flow was evidenced by sales of dollar exchange by the Insular Treasurer, these sales being customarily resorted to when the supply of commercial paper in banks became inadequate. Treasurer's sales were approximately \$11,-625,000 in 1938, \$14,475,000 in 1939, and estimated at \$21,150,000 in the first half of 1940. The extraordinarily high position of reserves made it easy and by no means dangerous to accommodate dollar customers. The movement represented no pinching of needed capital but, rather, for the time being, a disinclination to extend local investment, doubtless due in part to the uncertainties of post-independence economy and in part to the threat of hostilities in southeastern Asia.

OVERSEAS TRADE

Philippine overseas trade was on an unusually high level during 1939 and the first half of 1940. The total trade value for 1939—exports and imports combined, including gold and silver, reexports, and returned goods—was ₱561,686,000, rounded to thousands. This amount was slightly above 1938, nearly 20 percent higher than the average for the previous 5 years, 1934–38, and, in fact, in excess of all except 4 years in the history of Philippine trade (1920, 1928, 1929, and 1937). The total trade value for the first half of 1940 was ₱301,743,000, well above that for the first half of 1939 but somewhat below that for the first half of 1938. A comparative summary of trade values during recent calendar years and half years is shown in table 1.

Three notable trends in the trade with all countries will be noted: (1) The values for general exports did not increase over the 5-year average; (2) the increases in total export values were due to increases in the values of gold and silver exports, almost wholly bullion of Philippine-mined gold ore; and (3) the import values fluctuated at a significantly higher level than the 5-year average.

The second and third sections of table 1 set forth the continuing predominance of the United States in Philippine trade. The total value of trade with the United States and possessions for 1939 was ₱426,860,000, which was practically the same as the value for 1938 but 17 percent in excess of the 5-year average value. The value of trade with United States for the first half of 1940 was ₱243,726,000, well in advance of the value given for the corresponding period in 1939. As in the case of trade with all countries, the value of general exports was low as compared with the 5-year average, the increases in the value of total trade being due to increases in the value of exports of gold bullion and of general imports.

Nearly 76 percent of the total trade value for 1939 and nearly 81 percent of that for the first half of 1940 covered exchange of goods between the Philippines and the United States and its possessions. These ratios were higher than the average for the previous 5 years,

TABLE 1.—*Summary of overseas trade values in thousands of pesos, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

TRADE WITH ALL COUNTRIES

Item	1934-38 average	January- June 1938	July-De- cember 1938	Year 1938	January- June 1939	July-De- cember 1939	Year 1939	January- June 1940
Exports:								
General ¹	243,263	132,626	98,965	231,591	136,030	106,422	242,452	120,410
Gold and silver ²	36,053	27,852	34,560	62,412	31,781	38,892	73,673	37,738
Total exports	282,316	160,478	133,525	294,003	170,811	145,314	316,125	158,148
Imports:								
General ³	204,756	153,794	111,421	265,215	99,915	145,589	245,535	143,582
Gold and silver ²	21	15	5	20	16	10	26	13
Total imports	204,777	153,809	111,426	265,235	99,962	145,599	245,561	143,595
Total trade:								
Exclusive of gold and silver	448,019	286,420	210,386	496,806	235,976	252,011	487,987	263,992
Inclusive of gold and silver	487,093	314,287	244,951	559,238	270,773	290,913	561,086	301,743

TRADE WITH THE UNITED STATES AND POSSESSIONS

Exports:								
General	195,176	108,094	72,797	180,891	107,396	78,653	186,049	92,980
Gold and silver	39,050	27,852	34,560	62,412	34,724	38,509	73,233	37,439
Total exports	234,226	135,946	107,357	243,303	142,120	117,162	259,282	130,439
Imports:								
General	130,268	108,262	73,294	181,556	65,098	102,455	167,553	113,275
Gold and silver	17	15	5	20	15	10	25	12
Total imports	130,285	108,277	73,299	181,576	65,113	102,465	167,578	113,287
Total trade:								
Exclusive of gold and silver	325,444	216,356	146,091	362,447	172,494	181,108	353,002	206,255
Inclusive of gold and silver	364,511	214,223	180,656	424,879	207,233	219,627	426,860	243,726

¹ Includes reexports.² Includes negligible amounts of coin.³ Includes negligible amounts of returned Philippine goods.

PERCENT OF TRADE WITH THE UNITED STATES AND POSSESSIONS

Exports:									
General	80.23	81.50	73.55	78.10	78.95	73.90	76.73	77.21	
Gold and silver	99.99	100.00	100.00	100.00	99.83	99.01	99.40	99.26	
Total exports	82.96	84.71	80.40	82.75	83.20	80.62	82.01	82.47	
Imports:									
General	63.62	70.39	65.78	68.45	65.13	70.37	68.23	78.89	
Gold and silver	100.00	100.00	100.00	100.00	93.76	100.00	96.15	84.61	
Total imports	63.62	70.39	65.78	68.45	65.13	70.37	68.24	78.89	
Total trade:									
Exclusive of gold and silver	72.64	75.53	69.43	72.95	73.09	71.86	72.46	78.12	
Inclusive of gold and silver	74.83	77.70	73.75	75.97	76.53	75.49	75.99	80.77	

TRADE WITH FOREIGN COUNTRIES

Exports:									
General	48,087	24,532	26,168	50,700	28,634	27,769	56,403	27,430	
Gold and silver	3				57	383	440	27,279	
Total exports	48,090	24,532	26,168	50,700	28,691	28,152	56,843	27,709	
Imports:									
General	74,468	45,532	38,127	83,659	34,848	43,131	77,982	30,307	
Gold and silver	4				1		1	84.61	
Total imports	74,492	45,532	38,127	83,659	34,849	43,134	77,983	30,308	
Total trade:									
Exclusive of gold and silver	122,575	70,064	64,295	134,359	63,482	70,903	134,385	57,737	
Inclusive of gold and silver	122,582	70,064	64,295	134,359	63,540	71,286	134,826	58,017	

PERCENT OF TRADE WITH FOREIGN COUNTRIES

Exports:									
General	19.77	18.50	26.45	21.90	21.05	26.10	23.27	22.79	
Gold and silver	.01				.07	.99	.60	.74	
Total exports	17.04	15.29	19.60	17.25	16.80	19.38	17.99	17.53	
Imports:									
General	36.38	29.61	34.22	31.55	34.87	29.63	31.77	21.11	
Gold and silver	19.05				6.24		3.85	15.39	
Total imports	36.38	29.61	34.22	31.55	34.87	29.63	31.76	21.11	
Total trade:									
Exclusive of gold and silver	27.36	24.47	30.57	27.05	26.91	28.14	27.54	21.88	
Inclusive of gold and silver	25.17	22.30	26.25	24.03	23.47	24.51	24.01	19.23	

and the increase was mainly on the import side. The increase in the flag share of imports was due to restriction of imports from warring nations.

Trade with the United States may be considered substantially domestic in character, because it has been characterized by freedom from import and export duties, by maintenance of a fixed relation and easy flow of dollars and pesos, by an adequate and stable organization of banking, credit, and commercial connections, and by a notable similarity of consumer preferences. It is true that since 1934 the United States market for Philippine sugar, cordage, and coconut oil, and, beginning January 1, 1940, for cigars, leaf tobacco, and pearl buttons, was restricted by quotas. However, the quotas were for comfortable quantities, designed to prevent further expansion rather than to curtail the established volume of trade.

Accepting the domestic or "interstate" nature of the bulk of the overseas trade, it is apparent that the genuinely foreign trade of the Philippines has been limited. The values for the purely foreign trade are found in the last two sections of table 1. In the limited sense, foreign trade was ₱134,826,000 in 1939, practically the same as for 1938 but about 10 percent over the previous 5-year average. The value for the first 6 months in 1940, at ₱58,017,000, was definitely lower than for the corresponding periods in 1938 and 1939.

REEXPORTS

Reexports of merchandise from the United States and other countries has never been a notable feature of Philippine trade. Recorded values were ₱2,204,000 for 1939 and ₱1,729,000 for January to June 1940. Reexports are included under general exports in table 1, and further details are given in table 2. Well-publicized anticipations of the Philippines, or more particularly Manila, as an entrepot for the distribution of American goods in the Orient have never materialized. These hopes have failed for several reasons: Manila is the terminal rather than an initial or central port along shipping routes out of the United States to the Orient; shipping facilities in important oriental ports and direct shipping lines between these ports and the United States were established before American occupation of the Philippines; American financial and commercial interests grew to greater proportions and more rapidly in Japan and China than in the Philippines; and neither American nor local laws and administration were adapted to development of a commercial outpost. However, the recent closing to Americans and Europeans of business and residential opportunities elsewhere in Asia may result in a moderate degree in concentration of commercial activity at Manila. Any such concentration probably will be unsubstantial in character because of uncertainties as to economic possibilities in the Philippines after independence.

TABLE 2.—*Values in thousands of pesos of reexports, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Item	1934-38 average	January- June 1938	July-De- cember 1938	Year 1938	January- June 1939	July-De- cember 1939	Year 1939	January- June 1940
Goods of the United States	1,835	972	1,288	2,290	853	1,005	1,858	1,138
Goods of other countries	388	315	296	611	240	106	346	591
Total	2,223	1,287	1,584	2,871	1,093	1,111	2,204	1,729

EXPORTS AND IMPORTS OF GOLD AND SILVER

Exports in 1939 of gold and silver, principally bullion of locally mined gold, were valued at ₱73,673,000—far exceeding any previous year and 88 percent in excess of the average for the previous 5 years. With exports running ₱37,738,000 during the first half of the year, the total value for 1940 will probably exceed that of 1939. Imports of gold and silver were ₱26,000 in 1939 and ₱13,000 during the first half of 1940. The item consists mainly of refined gold bullion used in the arts. The amount of coin included has been extremely limited. Gold and silver trade is summarized in table 1, and details will be found in table 3.

TABLE 3.—*Values in thousands of pesos of exports and imports of gold and silver, 1934–38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

TRADE WITH ALL COUNTRIES

Item	1934–38 average	January– June 1938	July– December 1938	Year 1938	January– June 1939	July– December 1939	Year 1939	January– June 1940
Exports:								
Gold:								
Bullion ¹	37,449	27,224	33,651	60,875	33,940	37,773	71,713	29,764
Other gold ²	1,323	.....	138	138	9	34	43	³ 6,976
Total gold	38,772	27,224	33,789	61,013	33,949	37,807	71,756	36,740
Silver:								
Bullion	279	626	771	1,397	821	1,076	1,897	.....
Other silver ⁴	2	2	.....	2	11	9	20	998
Total silver	281	628	771	1,399	832	1,085	1,917	998
Total gold and silver	39,053	27,852	34,560	62,412	34,781	38,892	73,673	37,738
Imports:								
Gold:								
Bullion ¹	16	15	5	20	15	9	24	12
Coin	1	.....	.....	.....	.....	.....	.....	.....
Total gold	17	15	5	20	15	9	24	12
Silver:								
Bullion	(⁵)	.....	(⁵)	(⁵)	(⁵)	1	1	1
Coin	4	(⁵)	.....	(⁵)	(⁵)	.....	(⁵)	.....
Total silver	4	(⁵)	(⁵)	(⁵)	(⁵)	1	1	1
Total gold and silver	21	15	5	20	16	10	26	13

TRADE WITH THE UNITED STATES AND POSSESSIONS

Exports:								
Gold:								
Bullion ¹	37,448	27,224	33,651	60,875	33,893	37,552	71,445	29,764
Other gold ²	1,323	.....	138	138	9	34	43	³ 6,765
Total gold	38,771	27,224	33,789	61,013	33,902	37,586	71,488	36,529
Silver:								
Bullion	279	626	771	1,397	811	914	1,725	.....
Other silver ⁴ .....	.....	2	.....	2	11	9	20	930
Total silver	279	628	771	1,399	822	923	1,745	930
Total gold and silver	39,050	27,852	34,560	62,412	34,724	38,509	73,233	37,459

See footnotes at end of table.

TABLE 3.—*Values in thousands of pesos of exports and imports of gold and silver, 1934-38 average and January 1938 to June 1940—Continued.*

Item	1934-48 average	January- June 1938	July- December 1938	Year 1938	January- June 1939	July- December 1939	Year 1939	January- June 1940
Imports:								
Gold:								
Bullion ¹	16	15	5	20	15	9	24	12
Coin.....	(5)							
Total gold.....	16	15	5	20	15	9	24	12
Silver:								
Bullion.....	(5)		(5)	(5)	(5)	1	1	(5)
Coin.....	(5)	(5)		(5)				
Total silver.....	(5)	(5)	(5)	(5)	(5)	1	1	(5)
Total gold and silver.....	17	15	5	20	15	10	25	12

¹ Value adjusted on basis of P70 per fine ounce.² Includes gold from concentrates, matte, lead bullion, and copper concentrates and gold ore, dust, and matte.³ Includes P242,000 gold coin and P28,680 bank notes.⁴ Entries prior to 1940 are all silver coin. January-June 1940 includes silver from concentrates, precipitates, matte, lead bullion, and gold bullion, and silver ore.⁵ Less than P500.

TRADE BY ECONOMIC GROUPS

Philippine industry is predominantly devoted to the extraction of agricultural, mineral, and forest products. The limited urban industry is concerned largely with intermediate elaborations of these basic products, and in no line does it cover even the local demand for finished goods.

Exports.—In 1939, according to value, 47 percent of exports were of crude materials, principally copra, abaca, gold, and base minerals. A further 37 percent of manufactured foodstuffs was mostly sugar, and only a small fraction of the sugar was for direct consumption.¹⁵ Combining all major classes, 62 percent were agricultural. Comparison of 1939 values with those of the 5-year average and 1938 shows, first, a shift as from the agricultural crude materials to nonagricultural crude materials, due to the relative advancement of mineral production; and secondly, the declining position of agricultural manufactured foodstuffs due to limitation and lower prices for sugar. If, for any period shown in table 4, the nonagricultural crude materials percentage was added to the total agricultural percentage, the resulting ratios fall between 87 and 93 percent, which may be taken as an indication of the low development of urban industry.

Imports.—Seventy-three percent of the value of imports in 1939 were nonagricultural finished manufactures, and an additional 14 percent were manufactured foodstuffs. Of all major classes the ratio of nonagricultural imports was 81 percent. There has been surprisingly little change in character of imports during any of the periods under review.

¹⁵ The United States-Philippine Islands duty-free sugar quotas were: 800,000 long tons centrifugal; 50,000 long tons refined and direct consumption centrifugal.

TABLE 4.—*Overseas trade values, in thousands of pesos, according to economic¹ classes, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

EXPORTS²

Economic class	1934-38 average		January-June 1938		July-December 1938		Year 1938		January-June 1939		July-December 1939		Year 1939		January-June 1940	
	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent	Value	Per-cent
Crude materials:																
Agricultural ³	59,720	21	24,761	15	25,835	19	50,596	17	28,187	17	32,022	22	60,209	19	26,481	17
Nonagricultural ⁴	45,985	16	33,972	21	40,256	30	74,228	25	41,236	24	47,647	33	88,883	28	46,470	29
Crude foodstuffs:																
Agricultural.....	154		11		7		18		9		8		17		13	
Nonagricultural.....																
Manufactured foodstuffs:																
Agricultural ⁵	123,484	44	77,561	48	40,298	30	117,859	40	77,518	45	40,956	28	118,474	37	57,991	37
Nonagricultural.....	186		174		154		328		271		155		426		227	
Seminanufactures:																
Agricultural ⁶	25,708	9	10,413	7	11,142	8	21,555	8	9,705	6	8,684	6	18,389	6	12,040	7
Nonagricultural.....	4,550	2	2,524	2	2,133	2	4,657	2	2,018	1	2,230	2	4,248	2	2,406	2
Finished manufactures:																
Agricultural.....	18		5		6		11		9		8		17		11	
Nonagricultural.....	19,515	7	9,294	6	11,540	9	20,834	7	10,014	6	11,876	8	21,890	7	9,863	6
Total classified:																
Agricultural.....	209,084	74	112,751	70	77,288	57	190,039	65	115,428	68	81,678	56	197,106	62	96,536	61
Nonagricultural.....	70,236	25	45,964	29	54,083	41	100,047	34	53,539	31	61,908	43	115,447	37	58,966	37
Unclassified.....	2,996	1	1,763	1	2,154	2	3,917	1	1,844	1	1,728	1	3,572	1	2,646	2
Total.....	282,316	100	160,478	100	133,525	100	294,003	100	170,811	100	145,314	100	316,125	100	158,148	100

IMPORTS?

[illegible]

¹ Export classifications from U. S. Department of Commerce: Statistical Classification of Domestic Commodities Exported From the United States. Washington, 1938. Import classifications from U. S. Department of Commerce: Statistical Classification of Imports Into the United States. Washington, 1939.

² Total exports, including re-exports and gold and silver items.

³ Principally copra and abaca.

⁴ Principally gold bullion.⁶ Principally centrifugal and refined sugars.

⁶ Principally coconut oil.

7 Total imports, including returned Philippine products and gold and silver items.

TRADE BY COUNTRIES

The value of 1939 trade, exports and imports including gold and silver and reexports, with European countries, improved 28 percent above the 1934-38 average and 9 percent above 1938. As compared with the 5-year average, the increases were general, covering all countries except Austria, Italy, and Spain. As compared with 1938, substantial increases were limited to the Netherlands, Spain, and Sweden. In respect to oriental countries the value of trade in 1939 was slightly lower than the 5-year average and approximately 9 percent below 1938. Increases in trade with French and Netherlands East Indies were more than offset by the decrease in trade with Japan. Trade with the United States and its possessions was valued at 17 percent more than the 5-year average and it was slightly above the 1938 figure. The details of trade values, total, exports, and imports by countries and geographic areas are presented in tables 5, 6, and 7.

TABLE 5.—Overseas trade values,¹ in thousands of pesos, by countries, 1934-38 average and January 1938 to June 1940

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Area and country	1934-38, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Europe:								
Austria	107	138	39	177	31	42	73	2
Belgium	3,388	1,840	1,867	3,707	1,922	1,866	3,788	622
Denmark	1,521	1,492	1,709	3,201	1,258	1,535	2,793	759
France	4,961	1,707	3,582	5,289	2,567	2,531	5,098	3,576
Germany	10,047	5,218	6,079	11,297	5,226	5,334	10,560	148
Great Britain	12,159	5,960	5,490	11,450	5,735	6,872	12,607	5,479
Ireland	215	130	164	294	200	256	456	96
Italy	1,492	488	396	884	471	680	1,151	1,407
Netherlands	6,510	5,364	5,552	10,916	6,996	5,432	12,428	1,857
Norway	558	348	241	589	495	251	746	593
Spain	2,832	562	109	671	673	1,607	2,280	1,168
Sweden	1,437	986	747	1,733	876	2,069	2,945	2,188
Switzerland	1,272	920	961	1,884	829	895	1,724	992
Total	46,499	25,153	26,939	52,092	27,279	29,370	56,649	18,887
Orient:								
Australia	4,735	2,985	2,643	5,628	1,954	2,885	4,839	2,348
British East Indies	5,171	3,520	2,525	6,045	3,063	3,083	6,146	3,336
China	7,886	4,481	3,572	8,053	3,803	3,514	7,317	4,420
French East Indies	1,926	480	607	1,087	1,208	2,840	4,048	904
Hongkong	2,664	2,065	1,383	3,448	1,644	1,867	3,511	2,114
Japan	40,053	22,421	18,019	40,440	15,671	16,126	31,197	13,664
Kwantung (Japanese-China)	491	237	500	737	243	179	422	126
Netherlands East Indies	4,774	4,162	2,671	6,833	2,994	3,824	6,818	4,390
Thailand (Siam)	949	205	141	346	384	1,496	1,880	1,295
Total	68,649	40,556	32,061	72,617	30,364	35,814	66,178	32,597
Other areas:								
Canada	3,160	1,907	1,616	3,523	1,521	1,742	3,263	2,353
Unclassified	4,274	2,448	3,679	6,127	4,376	4,360	8,736	4,180
Total	7,434	4,355	5,295	9,650	5,897	6,102	11,999	6,533
Total, except United States and possessions	122,582	70,064	64,295	134,359	63,540	71,286	134,826	58,017
United States and possessions:								
Continental United States	362,423	242,669	179,368	422,037	206,046	218,252	424,298	242,390
Guam	461	183	228	411	181	249	430	223
Hawaii	1,325	978	885	1,863	698	786	1,484	765
Puerto Rico	299	392	174	566	308	332	640	345
Virgin Islands, Alaska, Wake	3	1	1	2	-----	8	8	3
Total	364,511	244,223	180,656	424,879	207,233	219,627	426,860	243,726
Total with all countries	487,093	314,287	244,951	559,238	270,773	290,913	561,686	301,743

¹ Includes reexports and gold and silver items.

TABLE 6.—*Export values,¹ in thousands of pesos, by countries, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Area and country	1934-38, average	1938, Janu- ary- June	1938, July- Decem- ber	1938, year	1939, Janu- ary- June	1939, July- Decem- ber	1939, year	1940, Janu- ary- June
Europe:								
Austria.....	1	2		2				
Belgium.....	1,241	641	523	1,164	605	217	822	146
Denmark.....	1,453	1,449	1,648	3,097	1,203	1,484	2,687	753
France.....	3,065	610	2,574	3,184	1,811	1,714	3,525	3,115
Germany.....	2,862	1,460	1,528	2,988	1,279	705	1,984	
Great Britain.....	7,493	3,190	2,827	6,017	2,855	3,791	6,646	3,633
Ireland.....	90	7	8	15	7	4	11	1
Italy.....	1,226	273	154	427	212	279	491	186
Netherlands.....	2,848	2,715	2,367	5,082	4,515	2,005	6,520	42
Norway.....	424	257	192	449	386	187	573	95
Spain.....	2,419	465	46	511	619	1,491	2,110	1,006
Sweden.....	589	396	302	698	475	1,432	1,907	1,539
Switzerland.....	20	5	15	20	6	28	34	174
Total.....	23,661	11,470	12,184	23,654	13,973	13,337	27,310	11,320
Orient:								
Australia.....	832	474	454	928	446	388	834	512
British East Indies.....	1,102	766	590	1,356	642	988	1,630	680
China.....	1,959	1,056	849	1,905	1,221	809	2,030	1,339
French East Indies.....	68	32	81	113	106	65	171	117
Hongkong.....	1,475	1,061	781	1,842	904	814	1,718	1,293
Japan.....	14,217	7,289	7,737	15,026	7,280	8,690	15,970	7,705
Kwantung (Japanese-China).....	115	91	235	326	173	72	245	100
Netherlands East Indies.....	704	497	494	991	383	480	863	487
Thailand (Siam).....	271	200	129	329	182	123	305	201
Total.....	20,743	11,466	11,350	22,816	11,337	12,429	23,766	12,434
Other areas:								
Canada.....	817	315	271	586	391	421	812	817
Unclassified.....	2,869	1,281	2,363	3,644	2,990	1,965	4,955	3,138
Total.....	3,686	1,596	2,634	4,230	3,381	2,386	5,767	3,955
Total, except United States and possessions.....	48,090	24,532	26,168	50,700	28,691	28,152	56,843	27,709
United States and possessions:								
Continental United States.....	232,847	134,963	106,339	241,302	141,259	116,159	257,418	129,459
Guam.....	409	175	223	398	178	234	412	212
Hawaii.....	669	415	621	1,036	375	429	804	420
Puerto Rico.....	298	392	173	565	308	332	640	345
Virgin Islands, Alaska, Wake.....	3	1	1	2		8	8	3
Total.....	234,226	135,946	107,357	243,303	142,120	117,162	259,282	130,439
Total to all countries.....	282,316	160,478	133,525	294,003	170,811	145,314	316,125	158,148

¹ Includes reexports and gold and silver items.

TABLE 7.—*Import values,¹ in thousands of pesos, by countries, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Area and country	1934-38, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Europe:								
Austria.....	106	136	39	175	31	42	73	2
Belgium.....	2,147	1,199	1,344	2,543	1,317	1,649	2,966	476
Denmark.....	68	43	61	104	55	51	106	6
France.....	1,896	1,097	1,008	2,105	756	817	1,573	461
Germany.....	7,185	3,758	4,551	8,309	3,947	4,629	8,576	148
Great Britain.....	4,666	2,770	2,663	5,433	2,880	3,081	5,961	1,846
Ireland.....	195	123	156	279	193	252	445	95
Italy.....	266	215	242	457	259	401	660	591
Netherlands.....	3,662	2,649	3,185	5,834	2,481	3,427	5,908	1,815
Norway.....	134	91	49	140	109	64	173	498
Spain.....	413	97	63	160	54	116	170	162
Sweden.....	848	590	445	1,035	401	637	1,038	649
Switzerland.....	1,252	915	949	1,864	823	867	1,690	818
Total.....	22,838	13,683	14,755	28,438	13,306	16,033	29,339	7,567
Orient:								
Australia.....	3,903	2,511	2,189	4,700	1,508	2,497	4,005	1,836
British East Indies.....	4,069	2,754	1,935	4,689	2,421	2,095	4,516	2,656
China.....	5,927	3,425	2,723	6,148	2,582	2,705	5,287	3,081
French East Indies.....	1,858	448	526	974	1,102	2,775	3,877	787
Hongkong.....	1,189	1,004	602	1,606	740	1,053	1,793	821
Japan.....	25,836	15,132	10,282	25,414	7,791	7,436	15,227	5,959
Kwantung (Japanese-China).....	376	146	265	411	70	107	177	26
Netherlands East Indies.....	4,070	3,665	2,177	5,842	2,611	3,344	5,955	3,903
Thailand (Siam).....	678	5	12	17	202	1,373	1,575	1,094
Total.....	47,906	29,090	20,711	49,801	19,027	23,385	42,412	20,163
Other areas:								
Canada.....	2,343	1,592	1,345	2,937	1,130	1,321	2,451	1,536
Unclassified.....	1,405	1,167	1,316	2,483	1,386	2,395	3,781	1,042
Total.....	3,748	2,759	2,661	5,420	2,516	3,716	6,232	2,578
Total, except United States and possessions.....	74,492	45,532	38,127	83,659	34,849	43,134	77,983	30,308
United States and possessions:								
Continental United States.....	129,576	107,706	73,029	180,735	64,787	102,093	166,880	112,931
Guam.....	52	8	5	13	3	15	18	11
Hawaii.....	656	563	264	827	323	357	680	345
Puerto Rico.....	1		1	1				
Total.....	130,285	108,277	73,299	181,576	65,113	102,465	167,578	113,287
Total from all countries.....	204,777	153,809	111,426	265,235	99,962	145,599	245,561	143,595

¹ Includes gold and silver items.

Exports by countries.—The 1939 value of exports to European countries exceeded the corresponding values for the 5-year average and for 1938, in both cases, by about 15 percent. Lower export values in trade with Belgium, Germany, Great Britain, and Italy were more than off-set by increases with France, the Netherlands, Norway, and Sweden. Exports to Spain recovered from their low point in 1938 to within 13 percent of their 5-year position. The value of trade with the Orient was 15 percent above the 5-year average and over 4 percent above 1938. The gains were well distributed but were relatively notable with respect to the British, French and Netherlands East Indies. The value of shipments to the United States showed an advance of over 10 percent over the 5-year average and of 8 percent over 1938.

Imports by countries.—Imports from Europe in 1939 were valued at slightly above those for 1938 and 26 percent above the average for the previous 5 years. The increased value of imports was distributed among all the countries except Austria, France, and Spain. The value of imports from oriental countries decreased to 15 percent under 1938 and 11 per cent under the 5-year average. Increases in the value of imports from French and Netherlands East Indies, Hong Kong and Thailand were offset by the 40 percent decline in purchases from Japan. The value of imports from the United States and its possessions was nearly 30 percent above the 5-year average but nearly 8 percent below the value for 1938.

VISIBLE TRADE BALANCE

The characteristically favorable visible trade balance of the Philippines was maintained during 1939 and the first half of 1940 at ₱70,564,000 and ₱14,553,000, respectively, including gold. The 1939 balance was more than double that of 1938 but about 10 percent less than the average balance of 1934-38.

Inspection of table 8 readily shows the overruling effect of the excess in value of exports over imports in trade with the United States. Except for the first half of 1940, when European countries imported large quantities of Philippine staples, the periodic balances in trade with Europe have usually been negative; the balances in trade with oriental countries have been heavily negative; and the balances in trade with the United States and its possessions have been so favorable as to offset losses in trade with all other countries and provide very substantial net profits. The favorable balance with the United States and its possessions, ₱91,704,000 for 1939, was nearly 50 percent greater than in 1938 but substantially less than the previous 5-year average. The last 18 months showed a reversal in balances with Japan; a previous average negative balance of over ₱10,000,000 was converted into a small favorable balance for 1939.

TABLE S.—*Visible trade balance,¹ in thousands of pesos, by countries, 1934-38 average and January 1938 to June 1940*
 [Source: Annual and semiannual reports of the Insular Collector of Customs]

Area and country	1934-38, average	1938, Janu- ary-June	1938, July- December	1938, year	1939, Janu- ary-June	1939, July- December	1939, year	1940, Janu- ary-June
Europe:								
Austria.....	-105	-134	-39	-173	-31	-42	-73	-2
Belgium.....	-906	-558	-821	-1,379	-712	-1,432	-2,144	-926
Denmark.....	+1,385	+1,408	+1,387	+2,993	+1,148	+1,432	+2,581	+747
France.....	+1,169	+1,487	+1,566	+1,079	+1,055	+897	+1,952	+2,664
Germany.....	+3,323	-2,298	-3,923	-3,923	-2,668	-3,924	-6,382	-148
Great Britain.....	+2,827	+420	+164	+584	-25	+710	+685	+1,787
Ireland.....	-173	-116	-148	-294	-186	-248	-434	-94
Italy.....	+960	+58	-88	-30	-47	-122	-109	+225
Netherlands.....	-814	+66	-818	-732	+2,034	-1,422	+612	+1,773
Norway.....	+230	+166	+143	+309	+277	+123	+400	-403
Norway.....	+2,006	+368	-17	+351	+565	+1,375	+1,940	+844
Spain.....	-239	-194	-143	-337	+74	+795	+869	+890
Sweden.....	+1,232	-910	-634	-1,844	-817	-839	-1,636	+644
Switzerland.....	+823	-2,213	-2,571	-4,784	+667	-2,696	-2,029	+3,753
Total								
Orient:								
Australia.....	-3,071	-2,037	-1,735	-3,772	-1,062	-2,109	-3,171	-1,324
British East Indies.....	-2,967	-1,988	-1,345	-3,333	-1,779	-1,107	-2,886	-1,976
China.....	-3,968	-2,369	-1,874	-4,243	-1,361	-1,896	-3,257	-1,712
French East Indies.....	-1,790	-416	-445	-861	-996	-2,710	-3,706	-670
Hong Kong.....	+286	+57	+179	+236	+164	-239	-75	+472
Japan.....	-11,619	-7,843	-2,545	-10,388	-511	+1,254	+743	+1,746
Kwantung (Japanese-China).....	-261	-55	-30	-85	+103	-35	+68	+74
Netherlands East Indies.....	-3,366	-3,168	-1,083	-4,851	-2,228	-2,864	-5,092	-3,416
Netherlands (Siam).....	-407	-195	+117	+312	-20	-1,250	-1,270	-893
Total								
Total	-27,163	-17,624	-9,361	-26,985	-7,690	-10,956	-18,646	-7,729
Other areas:								
Canada.....	-1,526	-1,277	-1,074	-2,351	-739	-900	-1,639	-719
Unclassified.....	+1,464	+114	+1,047	+1,161	+1,604	-430	+1,174	+2,096
Total	-62	-1,163	-27	-1,190	+865	-1,330	-465	+1,377
Total, except United States and possessions	-26,402	-21,000	-11,959	-32,959	-6,158	-14,982	-21,140	-2,599
United States and possessions:								
Continental United States.....	+103,271	+27,257	+33,310	+90,567	+76,472	+14,066	+90,538	+16,528
Guam.....	+357	+167	+218	+385	+175	+219	+394	+201
Hawaii.....	+13	-148	+357	+209	+52	+72	+124	+75
Puerto Rico.....	+297	+392	+172	+564	+308	+332	+640	+345
Virgin Islands, Alaska, Wake.....	+1	+1	+1	+2	-----	+8	+8	+3
Total	+103,941	+27,669	+34,058	+91,727	+77,007	+14,697	+91,704	+17,152
Total with all countries	+77,539	+6,669	+22,099	+28,768	+70,849	-285	+70,564	+14,553

¹ Includes reexports and gold and silver items.

EXPORTS BY COMMODITIES

It has been found useful to group the more important Philippine exports under seven heads: Coconut products, fibers, forest products, mineral and metal products, marine products, sugars, and tobacco. Employing this classification, table 9 gives complete data on the value of exports during the period under consideration, and table 10 sets out the corresponding quantities so far as these are available.

TABLE 9.—*Value in thousands of pesos of principal exports, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Commodity	1934-38, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Coconut products:								
Coconut oil.....	25,685	10,403	11,130	21,533	9,686	8,656	18,342	12,029
Copra.....	25,133	11,293	13,219	24,512	12,428	14,374	26,802	12,569
Copra cake and meal.....	4,067	2,539	2,956	5,495	1,946	2,304	4,250	1,886
Desiccated coconut.....	8,311	3,199	4,433	7,632	3,444	5,394	8,838	3,339
Vegetable butter.....	665	684	485	1,169	577	622	1,199	497
Vegetable lard.....	442	232	125	357	124	195	319	174
Total.....	64,303	28,350	32,348	60,698	28,205	31,545	59,750	30,494
Fibers:								
Abaca.....	27,609	10,211	10,107	20,318	10,503	13,242	23,745	11,815
Cordage.....	2,516	1,280	1,118	2,398	1,528	1,646	3,174	1,806
Embroideries ¹	8,323	4,208	6,008	10,216	4,939	5,775	10,714	3,615
Hats.....	1,195	315	320	635	58	28	86	17
Other fiber products.....	2,729	998	825	1,823	649	515	1,164	688
Total.....	42,372	17,012	18,378	35,390	17,677	21,206	38,883	18,941
Forest products:								
Cutch.....	622	327	402	729	231	-----	231	-----
Gums and resins.....	619	231	367	598	347	508	855	588
Lumber.....	3,316	1,650	1,539	3,189	1,523	1,683	3,206	1,966
Timber.....	2,505	1,266	1,195	2,461	1,696	1,461	3,157	1,545
Other forest products.....	261	278	191	469	269	247	516	258
Total.....	7,323	3,752	3,694	7,446	4,066	3,899	7,965	4,357
Minerals and metal products:								
Chrome ore.....	691	1,393	184	1,577	681	1,473	2,154	2,089
Copper concentrates ²	513	54	412	466	459	1,694	2,153	1,125
Other copper.....	443	662	872	1,534	438	506	944	24
Gold bullion.....	37,448	27,225	33,651	60,876	33,940	37,773	71,713	29,764
Gold ore.....	775	-----	138	138	10	34	44	101
Other gold ³	-----	-----	-----	-----	-----	-----	-----	6,604
Iron ore.....	2,154	1,830	2,251	4,081	2,444	2,654	5,098	2,888
Iron and steel, scrap.....	94	65	18	83	38	60	98	149
Lead.....	29	9	41	50	29	35	64	23
Manganese ore.....	271	615	384	999	339	428	767	748
Silver bullion.....	279	626	771	1,397	822	1,075	1,897	-----
Other silver ³	-----	-----	-----	-----	-----	-----	-----	894
Other minerals and metal products ⁴	5	7	3	10	4	214	218	174
Total.....	42,702	32,486	38,725	71,211	39,204	45,946	85,150	44,583
Marine products:								
Buttans, pearl.....	474	190	236	426	237	304	541	226
Fish products.....	185	174	154	328	271	155	426	227
Shell, unmanufactured.....	148	30	20	50	34	26	60	4
Other marine products.....	33	6	11	17	2	6	8	5
Total.....	840	400	421	821	544	491	1,035	462
Sugars:								
Alcohol.....	92	34	3	37	3	4	7	31
Centrifugal.....	97,966	65,744	26,181	91,925	63,678	27,104	90,782	43,291
Molasses and syrups.....	544	162	138	300	132	24	156	1
Muscovado.....	4	-----	-----	-----	-----	-----	-----	-----
Refined.....	9,274	4,431	3,688	8,119	5,255	3,310	8,565	5,294
Total.....	107,880	70,371	30,010	100,381	69,068	30,442	99,510	48,607

See footnotes at end of table.

TABLE 9.—*Value in thousands of pesos of principal exports, 1934-38 average and January 1938 to June 1940—Continued*

Commodity	1934-38, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Tobacco:								
Cigars.....	6,340	2,770	3,279	6,049	2,776	3,515	6,291	3,351
Leaf.....	3,452	1,680	1,166	2,846	3,681	1,991	5,672	784
Scraps, stripped filler, cigar ends.....	679	394	469	863	766	1,730	2,496	492
Other tobacco.....	65	19	152	171	43	27	70	106
Total.....	10,536	4,863	5,066	9,929	7,266	7,263	14,529	4,733
Reexports.....	2,223	1,287	1,584	2,871	1,093	1,111	2,204	1,729
Unclassified ⁵	4,137	1,958	3,298	5,256	3,688	3,411	7,099	4,242
Total exports.....	282,316	160,478	133,525	294,003	170,811	145,314	316,125	158,148

¹ Includes embroideries on cotton, silk, and pina cloth.² No export during 1934-36; 1937, ₱2,102,062 designated as "Copper concentrates with gold"; 1938, ₱465,587 designated as "Copper from gold bullion".³ Except coin and manufactures.⁴ Includes gold and silver manufactures.⁵ Includes gold and silver coin.TABLE 10.—*Quantities of principal exports, in thousands of indicated units, 1934-38 average and January 1938 to June 1940*

[Source: Annual and semiannual reports of the Insular Collector of Customs]

Commodity	1934-38, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Coconut products:								
Coconut oil..... kilograms.....	159,715	70,547	95,076	165,623	90,953	76,749	167,702	98,311
Copra..... do.....	293,061	142,376	199,691	342,067	190,267	208,279	398,546	191,877
Copra cake and meal..... do.....	109,931	57,301	72,040	129,341	54,748	59,651	114,399	58,672
Desiccated coconut..... do.....	33,248	14,035	20,242	34,277	16,889	24,653	41,542	16,783
Vegetable butter..... do.....	1,917	2,001	1,408	3,409	1,826	1,976	3,802	1,575
Vegetable lard..... do.....	1,633	925	542	1,467	583	873	1,456	755
Fibers:								
Abaca..... do.....	167,296	62,904	78,411	141,315	85,325	92,304	177,629	83,538
Cordage..... do.....	7,468	3,494	3,453	6,947	4,884	4,703	9,587	5,128
Hats..... number.....	700	206	235	441	45	30	75	42
Forest products:								
Cutch..... kilograms.....	5,607	2,336	2,871	5,207	1,647	-----	1,647	-----
Gums and resins..... do.....	2,295	780	1,188	1,968	1,099	1,356	2,455	1,476
Lumber..... cubic meters.....	112	51	51	102	50	53	103	61
Timber..... do.....	300	138	138	276	203	172	375	166
Minerals and metal products:								
Chrome ore..... kilograms.....	29,990	57,400	9,511	66,911	29,695	97,054	126,749	96,564
Copper concentrates..... do ¹	1,025	130	911	1,041	1,244	4,309	5,553	2,700
Gold bullion..... ounces.....	855	397	483	880	496	544	1,040	422
Gold ore..... kilograms.....	1,608	-----	89	89	11	55	66	94
Iron ore..... do.....	491,429	400,235	510,717	910,952	553,240	601,498	1,154,738	624,638
Iron and steel scrap..... do.....	3,418	2,272	707	3,979	1,609	2,344	3,953	3,019
Manganese ore..... do.....	12,468	28,249	21,110	49,359	17,053	18,945	35,998	29,423
Silver bullion..... ounces.....	211	459	597	1,056	639	722	1,361	-----
Marine products:								
Pearl buttons..... gross.....	689	236	342	578	339	469	808	347
Fish and fish products..... kilograms.....	487	385	350	735	559	363	922	445
Shells, unmanufactured..... do.....	372	73	59	132	114	89	203	13
Sugars:								
Alcohol, proof..... liters.....	1,693	440	35	475	31	66	97	400
Centrifugal..... kilograms.....	806,760	577,554	240,514	818,068	575,261	247,336	822,597	425,851
Molasses and sirups..... do.....	58,122	12,231	16,885	29,116	14,095	2,260	16,355	22
Muscovado..... do.....	41	5	-----	5	-----	-----	-----	-----
Refined..... do.....	52,842	26,432	23,748	50,180	33,288	18,843	52,131	32,542
Tobacco:								
Cigars..... pieces.....	205,123	90,195	106,499	196,694	91,399	115,673	207,072	101,830
Leaf..... kilograms.....	13,580	5,770	4,068	9,838	10,704	5,791	16,495	2,813
Scraps, stripped filler and cigar ends..... kilograms.....	1,744	982	954	1,936	1,776	3,941	5,717	1,720

¹ No export during 1934-36; 1937, 4,084,339 kilos designated as "Copper concentrates with gold"; 1938 2,296,108 pounds designated as "Copper from gold bullion"; 2,2046 pounds equal 1 kilogram.

Coconut products.—The value of coconut products exported in 1939 was ₱59,750,000, and was but slightly less than the value for 1938 and but 7 percent under the 1934-38 average. A comparison of the quantities indicates that there were marked increases over the 5-year average and in all items except copra cake and meal over 1938 as well. It is quite apparent that the effect of lower prices during the past 2 years has been very largely counteracted by the production and exportation of greater quantities. If the rate of export shown for the first 6 months should be maintained throughout 1940, the coconut group may show further increases in both values and quantities.

Fibers.—The value of exports under the fiber group was ₱38,883,000 for 1939 which was substantially above the corresponding figure for 1938 and considerably under the 5-year average. In both comparisons the change was mainly in the value of abaca (Manila hemp) exports. Cordage and embroideries made definite gains. Considering table 10 it is evident that the quantities increased in greater ratio than did values.

Forest products.—The value of forest products totaled ₱7,965,000, slightly above both 1938 and the 5-year average. There has been a notable constancy both in values and quantities during the period covered, except in the case of cutch which was eliminated in 1939 by the removal of the sole extraction plant from Zamboanga to North Borneo where the raw material—mangrove species—was found available in greater quantities and at less cost.

Minerals and metal products.—The most important change in Philippine trade since 1920, and indeed in the general economy of the country, has been the favorable development of production and export of minerals. In 1920 the only exports in this group were ₱2,300,000 worth of gold bullion and ₱13,800 worth of iron ore. In 1930 gold had increased to ₱7,500,000. In 1935 exports of iron ore began on a commercial scale and were valued at ₱1,144,000. Other mineral entered the outward trade of the Philippines in the following years at the stated values: Chrome, 1935 at ₱28,000; copper ore, 1935 at ₱126,000; manganese, 1935 at ₱13,000; and lead, 1937 at ₱94,000. Tables 9 and 10 indicate the steady growth of the trade in minerals in recent years. Valued at ₱85,150,000 in 1939, they formed the second most important export group and accounted for nearly 27 percent of the value of all Philippine exports. While gold remained by far the major item, chrome, copper, manganese, and iron have advanced more rapidly.

Marine products.—The over-all 1939 value of marine items, principally pearl buttons and minor fish products at ₱1,035,000, was well above previous positions.

Sugars.—Low price and United States quota limitations accounted for the moderate decline in the value of sugar exports to a total of ₱99,510,000. The minor items, cane alcohol, molasses, and sirups, have become inconsequential and the quotas have made it impossible to offset low prices by increases in the quantities of centrifugal and refined.

Tobacco.—Tobacco exports at ₱14,529,000 in 1939 were more than 40 percent greater than either the 5-year average or 1939 values. The increases were due largely to greater quantities, especially of cigars and leaf.

IMPORTS BY COMMODITIES

Table 11 classifies Philippine imports under five heads: Cloth and clothing; foodstuffs; metals and metal products; mineral and chemical products; and miscellaneous products. Table 12 reports the available quantity data on a considerable number of the more important import items. Both tables present 1934-38 5-year averages as a basis for comparison of imports during the calendar years 1938 and 1939.

TABLE 11.—*Value in thousands of pesos of principal imports, 1934-38 average and January 1938 to June 1940*

Source: Annual and semiannual reports of the Insular Collector of Customs]

Commodity	1934- 1938, average	1938, Janu- ary- June	1938, July- Decem- ber	1938, year	1939, Janu- ary- June	1939, July- Decem- ber	1939, year	1940, Janu- ary- June
Cloth and clothing:								
Cotton piece goods.....	21,984	15,547	13,200	28,747	11,020	14,268	25,288	12,173
Cotton goods, except piece goods and footwear.....	12,041	7,879	6,992	14,871	5,952	7,307	13,259	7,143
Footwear:								
Cotton.....	194	107	87	194	75	141	226	83
Leather.....	416	265	271	536	210	287	497	374
Rubber.....	42	19	18	37	20	7	27	5
Hats and caps and materials for same.....	342	211	139	350	128	171	299	129
Rayon goods.....	3,749	3,022	1,800	4,822	1,968	3,651	5,619	5,384
Silk goods.....	1,840	975	733	1,708	462	593	1,055	542
Vegetable fiber products, except cotton.....	4,042	2,591	1,844	4,435	2,152	1,812	3,964	1,802
Woolen goods.....	926	644	326	1,070	407	603	1,010	483
Total.....	45,576	31,260	25,510	56,770	22,394	28,850	51,244	28,118
Foodstuffs:								
Cocoa.....	1,057	852	478	1,330	601	507	1,108	407
Coffee.....	1,356	1,014	565	1,579	773	1,232	2,005	709
Confectionery.....	525	367	218	585	286	456	742	627
Dairy products.....	7,300	4,537	4,412	8,949	3,454	5,046	8,500	3,998
Eggs.....	301	195	108	303	161	328	489	343
Fish products.....	3,171	2,248	1,563	3,811	1,779	1,835	3,614	2,162
Fruits and nuts.....	2,727	2,354	1,095	3,449	1,515	1,353	2,868	1,695
Meat products.....	2,824	1,795	1,235	3,030	1,112	1,436	2,548	1,535
Rice.....	2,565	444	556	1,000	1,188	3,975	5,163	1,813
Starch.....	637	334	323	657	297	323	620	412
Sugar and molasses.....	334	261	126	387	101	160	261	196
Tea.....	135	78	64	142	59	57	116	91
Vegetables.....	3,392	2,303	1,683	3,986	1,711	2,325	4,036	2,037
Wheat flour.....	7,465	5,314	4,949	10,263	4,638	3,674	8,312	5,298
Other foodstuffs.....	1,310	863	701	1,564	683	1,118	1,801	643
Total.....	35,099	22,959	18,076	41,035	18,358	23,825	42,183	21,966
Metals and metal products:								
Aluminum.....	232	148	161	309	112	191	303	129
Brass.....	780	524	369	893	404	530	934	604
Clocks, watches, and parts.....	619	543	447	990	424	456	880	373
Copper.....	381	246	218	464	173	217	390	428
Gold, platinum, and silver man- ufactures:								
Gold and silver-plated ware.....	286	179	115	294	138	160	298	163
Other manufactures.....	339	283	224	507	179	132	311	159
Iron and steel, except machinery and vehicles.....	19,696	14,963	11,049	26,012	11,685	13,257	24,942	16,016
Lead.....	297	212	184	396	79	200	279	196
Machinery and apparatus:								
Agricultural.....	184	129	69	198	31	149	180	141
Electrical.....	5,788	4,600	3,008	7,608	2,399	5,251	7,650	4,033
Industrial.....	12,421	12,585	6,997	19,582	7,628	8,562	16,190	8,967
Other machinery.....	901	725	618	1,343	556	803	1,359	580
Tin.....	192	86	85	171	64	146	210	119
Vehicles and parts:								
Automotive.....	9,126	8,765	3,944	12,709	2,338	5,455	7,793	5,900
Other vehicles and parts.....	1,445	970	839	1,809	894	808	1,702	756
Total.....	52,687	44,958	28,325	73,283	27,104	36,317	63,421	38,564

TABLE 11.—*Value in thousands of pesos of principal imports, 1934-38 average and January 1938 to June 1940—Continued*

Commodity	1934-1938, average	1938, January-June	1938, July-December	1938, year	1939, January-June	1939, July-December	1939, year	1940, January-June
Mineral and chemical products:								
Cement.....	84	57	194	251	329	246	575	24
Chemicals, drugs, dyes, and medicines.....	6,032	5,229	3,652	8,881	2,897	4,797	7,694	4,543
Coal.....	1,680	941	1,044	1,985	1,035	1,928	2,963	1,217
Earthen, stone, and china ware.....	1,159	970	688	1,658	750	734	1,484	757
Explosives.....	1,811	1,605	1,284	2,889	1,420	1,972	3,392	1,788
Fertilizers, chemical and natural.....	3,774	2,141	826	2,907	1,322	1,454	2,756	3,297
Glass and glassware.....	1,721	1,205	1,054	2,259	1,016	1,119	2,135	854
Matches.....	213	83	112	195	114	122	236	121
Oils:								
Crude.....	4,144	3,270	2,101	5,371	2,478	2,805	5,283	4,386
Naphthas and gasoline.....	5,802	3,420	2,857	6,277	1,993	4,154	6,147	5,046
Illuminating.....	2,553	1,099	956	2,055	888	1,494	2,382	1,788
Lubricating.....	1,508	937	1,178	2,115	456	1,297	1,753	1,396
Other oils.....	1,181	893	711	1,604	586	837	1,423	1,092
Paints, pigments, and varnishes.....	1,646	1,044	848	1,892	859	1,246	2,105	1,007
Perfumery and toiletries.....	1,633	1,196	966	2,162	540	1,172	1,712	892
Photographic equipment and supplies.....	718	632	510	1,142	276	552	828	729
Motion-picture films.....	426	193	120	313	178	172	350	59
Precious stones.....	645	344	244	588	322	331	653	56
Soaps.....	905	808	454	1,262	231	621	852	515
Total.....	37,635	26,067	19,799	45,866	17,690	27,033	44,723	29,567
Miscellaneous products:								
Animals.....	99	111	44	155	82	55	137	44
Lamps and parts, not electrical.....	673	212	636	848	261	336	597	220
Leather goods other than footwear.....	2,267	2,049	777	2,826	907	1,359	2,266	1,067
Musical instruments.....	412	304	295	609	230	224	454	228
Paper and paper products:								
Books and printed matter.....	2,234	2,122	879	3,001	1,094	1,473	2,567	1,441
Other paper and products.....	5,255	4,304	3,074	7,378	2,403	4,098	6,501	5,526
Rubber goods other than footwear:								
Automobile tires.....	2,701	2,139	1,391	3,530	1,124	2,357	3,481	1,864
Other rubber goods.....	1,509	1,038	880	1,918	672	1,168	1,840	1,082
Spirits, wines, and malt liquors.....	1,198	944	630	1,574	539	1,194	1,733	602
Sporting goods.....	304	193	187	380	153	246	399	210
Tobacco products.....	8,739	8,904	6,963	15,867	3,022	10,923	13,945	7,763
Toys.....	328	316	163	479	199	162	361	106
Wax.....	972	572	422	994	341	832	1,173	555
Wood, bamboo, rattan, and reed.....	1,044	1,140	396	1,536	467	485	952	457
Total.....	27,735	24,628	16,467	41,095	11,494	24,912	36,106	21,165
Unclassified¹.....	6,045	3,937	3,249	7,186	2,922	4,662	7,584	4,215
Total imports.....	204,777	153,809	111,426	265,235	99,962	145,599	245,561	143,595

¹ Includes gold and silver bullion and coin.TABLE 12.—*Quantity, in thousands of indicated units,¹ of certain Philippine imports, 1934-38 average and January 1938 to June 1940*

[Source: Annual, semiannual and monthly reports of the Insular Collector of Customs]

Commodity	1934-1938, average	1938, January-June	1938, July-December	1938, year	1939, January-June	1939, July-December	1939, year	1940, January-June
Cloth and clothing:								
Cotton piece goods.....								
square meters.....	110,294	68,506	62,397	130,903	52,531	64,735	117,266	56,956
Footwear:								
Cotton.....pairs.....	312	116	85	201	91	135	226	49
Leather.....do.....	117	78	82	160	69	82	151	107
Rubber.....do.....	43	11	15	26	19	4	23	3
Hats and caps.....number.....	858	(²)	(²)	772	(²)	(²)	(²)	(²)

See footnotes at end of table.

TABLE 12.—Quantity, in thousands of indicated units,¹ of certain Philippine imports, 1934-38 average and January 1938 to June 1940—Continued

Commodity	1934- 1938, average	1938, January- June	1938, July- December	1938, year	1939, January- June	1939, July- December	1939, year	1940, January- June
Cloth and clothing—Continued.								
Rayon cloth.....square meters	18, 207	(²)	(²)	20, 674	(²)	(²)	12, 600	(²)
Silk cloth.....square meters	469	(²)	(²)	420	(²)	(²)	200	(²)
Vegetable fiber products, except cotton:								
Bags, empty.....number	6, 461	(²)	(²)	6, 783	(²)	(²)	4, 901	(²)
Burlaps and bagging.....square meters	21, 435	(²)	(²)	23, 509	(²)	(²)	22, 591	(²)
Other cloths.....do	721	(²)	(²)	736	(²)	(²)	892	(²)
Woolen cloth.....square meters	565	(²)	(²)	598	(²)	(²)	444	(²)
Foodstuffs:								
Cocoa.....kilos	2, 616	2, 060	1, 136	3, 196	1, 700	1, 700	3, 400	1, 228
Coffee.....do	3, 723	2, 871	1, 973	4, 844	2, 307	4, 091	6, 398	2, 224
Confectionery.....do	912	563	427	990	442	699	1, 141	909
Dairy products:								
Butter.....do	710	(²)	(²)	754	(²)	(²)	613	(²)
Cheese.....do	345	(²)	(²)	506	(²)	(²)	556	(²)
Milk, except natural and buttermilk.....kilos	18, 123	(²)	(²)	19, 573	(²)	(²)	21, 780	(²)
Natural milk and buttermilk.....liters	574	(²)	(²)	753	(²)	(²)	(²)	(²)
Eggs.....dozens	1, 744	843	448	1, 291	859	2, 529	3, 388	1, 760
Fish products.....kilos	15, 967	9, 987	6, 651	16, 638	8, 386	7, 989	16, 375	8, 147
Fruits and nuts.....do	12, 355	10, 578	5, 222	15, 800	8, 598	7, 445	16, 043	8, 302
Meat products.....do	4, 967	3, 125	1, 959	5, 084	2, 180	2, 139	4, 499	2, 539
Rice.....do	37, 841	4, 017	5, 362	9, 379	14, 770	68, 863	83, 633	29, 792
Starch.....do	5, 431	2, 853	3, 011	5, 864	2, 858	3, 279	6, 137	3, 397
Sugar and molasses.....do	1, 971	1, 514	827	2, 341	687	1, 231	1, 918	1, 296
Tea.....do	239	133	110	243	119	123	242	173
Vegetables.....do	39, 210	22, 533	17, 707	40, 240	17, 231	22, 951	40, 182	18, 866
Wheat flour.....do	80, 087	45, 801	46, 670	92, 471	50, 521	49, 813	100, 334	56, 644
Metals and metal products:								
Aluminum.....do	172	183	26	209	85	137	222	98
Iron and steel, except machinery and vehicles: Bars or rods of steel.....kilos	22, 747	(²)	(²)	25, 776	(²)	(²)	37, 806	(²)
Railway track materials.....do	5, 981	(²)	(²)	5, 324	(²)	(²)	2, 493	(²)
Sheets and plates.....do	38, 729	(²)	(²)	39, 141	(²)	(²)	41, 499	(²)
Structural iron and steel.....do	6, 825	(²)	(²)	6, 565	(²)	(²)	7, 480	(²)
Wires.....do	8, 051	(²)	(²)	7, 872	(²)	(²)	7, 982	(²)
Nails, spikes, tacks.....do	9, 300	(²)	(²)	10, 392	(²)	(²)	(²)	(²)
Nuts, bolts, washers, rivets.....kilos	2, 264	(²)	(²)	2, 618	(²)	(²)	2, 658	(²)
Pipes and fittings.....do	12, 543	(²)	(²)	15, 316	(²)	(²)	15, 593	(²)
Lead.....do	1, 085	643	1, 318	1, 961	273	754	1, 027	666
Tin.....do	234	80	86	166	66	173	239	216
Automobiles and trucks.....actual number	5, 467	5, 261	1, 893	7, 154	1, 139	2, 745	3, 884	3, 064
Mineral and chemical products:								
Cement.....kilos	7, 870	5, 189	22, 042	27, 231	27, 292	24, 061	51, 353	432
Coal.....do	276, 224	114, 633	144, 405	259, 038	124, 512	248, 158	372, 670	169, 960
Explosives: Dynamite.....kilos	1, 922	(²)	(²)	3, 187	(²)	(²)	3, 861	(²)
Fertilizers, chemical and natural.....kilos	61, 526	31, 422	11, 486	42, 908	18, 807	17, 744	36, 551	42, 858
Matches.....do	511	220	233	453	225	281	506	218
Oils:								
Crude.....liters	326, 191	193, 700	130, 131	323, 831	174, 366	214, 199	388, 565	54, 407
Naphthas and gasoline.....liters	135, 161	77, 090	58, 222	136, 312	48, 836	101, 559	150, 395	119, 851
Illuminating.....do	72, 903	30, 893	24, 780	55, 673	24, 640	38, 264	62, 904	50, 038
Lubricating.....do	14, 330	7, 104	16, 437	23, 541	3, 648	10, 073	13, 721	10, 645
Paints, pigments, and varnishes.....kilos	4, 528	2, 672	2, 228	4, 900	2, 527	3, 522	6, 049	2, 634
Motion picture films.....meters	2, 199	1, 352	875	2, 227	1, 192	1, 019	2, 211	612
Soaps.....kilos	2, 328	1, 539	1, 089	2, 628	487	1, 341	1, 828	945
Miscellaneous products:								
Automobile tires.....number	211	138	100	238	77	180	257	107
Spirits, wines, and malt liquors.....liters	2, 246	1, 859	1, 095	2, 954	774	1, 518	2, 292	931
Toys.....kilos	386	328	184	512	219	188	407	109
Wax.....do	5, 749	3, 460	2, 603	6, 063	1, 835	4, 270	6, 105	2, 376

¹ Except automobiles and trucks which are given in actual number.² Data not available.

Cloth and clothing.—The value for 1939 imports of cloth and clothing was ₱51,244,000, a sum 12 percent over the average for 1934–38, but 10 percent less than for 1938. As has been usually the case, half the value of the group was covered by cotton piece goods; both the yardage, 117,266,000 square meters, and the value, ₱25,288,000, were well above the 5-year average, but as much as 10 percent below the 1938 position. A much lower yardage of rayon cloth was imported at substantially greater cost, the reversal being due to the limited availability of the cheaper Japanese grades previously offered in heavy volume.

Foodstuffs.—The gradual upward trend of foodstuff imports continued through 1939, reaching ₱42,183,000, 20 percent above the 5-year average and slightly exceeding the 1938 value. Every important item in the group except meat products was imported in greater volume. The heaviest increase, evident both in value and quantity, was in rice. Coffee, canned milk, and wheat flour also recorded substantial advances.

Metals and metal products.—Of recent years, metals and metal products, including construction materials, all forms of machinery, and motor vehicles have held first place among the import groups. This position was retained in 1939, and the total value, ₱63,421,000, although well below 1938, was 20 percent ahead of the 5-year average. General iron and steel goods continued heavy against immediate declines in industrial machinery and motor vehicles. Imports of agricultural machinery continued low in value.

Mineral and chemical products.—The value of mineral and chemical products was ₱44,723 in 1939, almost 20 percent above the 5-year average and only fractionally lower than in 1938. Limitation of sugar shipments to the United States is generally considered to be responsible for the decline in fertilizers. The advances over the 5-year period are well distributed among the items, but notable in drugs and medicines, explosives, and petroleum products.

Miscellaneous products.—The import value of miscellaneous products, both total and the more important items, held above the 5-year level but fell considerably below 1938 values.

EXPORTS TO THE UNITED STATES BY COMMODITIES

Following the same classification as that used in dealing with exports by commodities to all countries (pp. 69 to 70 above), tables 13 and 14 show the value and so far as available the quantity of exports from the Philippines to the United States:

TABLE 13.—*Value, in thousands of pesos, of principal commodities shipped to continental United States, 1934-38 average and January 1938 to June 1940*

[Source: Annual, semiannual, and monthly reports of the Insular Collector of Customs.]

Commodity	1934-38 average	Jan- uary- June 1938	July- Decem- ber 1938	Year 1938	Jan- uary- June 1939	July- Decem- ber 1939	Year 1939	Jan- uary- June 1940
Coconut products:								
Coconut oil.....	24,826	9,822	10,885	20,707	9,154	7,744	16,898	9,157
Copra.....	18,123	8,531	7,678	16,209	6,161	8,899	15,060	7,096
Copra cake and meal.....	1,722	731	844	1,575	976	887	1,863	1,427
Desiccated coconut.....	8,265	3,793	4,428	7,621	3,418	5,384	8,802	3,329
Vegetable butter.....	109	71	39	110	22	17	39	14
Vegetable lard.....	225	38	16	54	31	33	64	10
Total.....	53,270	22,386	23,890	46,276	19,762	22,964	42,726	21,033
Fibers:								
Abaca.....	8,451	2,333	2,530	4,863	3,196	5,310	8,506	4,757
Cordage.....	1,075	401	266	667	654	563	1,217	573
Embroideries ¹	8,298	4,202	5,938	10,140	4,925	5,770	10,695	3,613
Hats.....	826	271	257	528	24	18	42	13
Other fiber products.....	267	59	100	159	105	59	164	127
Total.....	18,917	7,266	9,091	16,357	8,904	11,720	20,624	9,083
Forest products:								
Cutch.....	622	327	402	729	231	---	231	---
Gums and resins.....	448	160	319	479	273	396	669	526
Lumber.....	1,992	832	683	1,515	724	977	1,701	835
Timber.....	---	28	16	44	9	32	41	49
Other forest products.....	115	115	74	189	137	106	243	142
Total.....	3,177	1,462	1,494	2,956	1,374	1,511	2,885	1,552
Minerals and metal products:								
Chrome ore.....	617	1,247	178	1,425	622	1,031	1,653	1,842
Copper concentrates ²	513	54	412	466	257	684	941	406
Other copper.....	77	220	38	258	---	2	2	---
Gold bullion.....	37,448	27,225	33,651	60,876	33,893	37,552	71,445	29,764
Gold ore.....	775	---	138	138	10	34	44	101
Other gold ³	---	---	---	---	---	---	---	6,392
Iron ore.....	3	---	---	---	---	---	---	---
Iron and steel, scrap.....	---	---	---	---	---	---	---	---
Lead.....	28	9	41	50	21	32	53	20
Manganese ore.....	20	---	---	---	---	266	266	673
Silver bullion.....	279	626	771	1,397	812	913	1,725	---
Other silver ³	---	---	---	---	---	---	---	854
Other minerals and metal prod- ucts ⁴	4	---	1	1	2	168	170	120
Total.....	39,764	29,381	35,230	64,611	35,617	40,682	76,299	40,172
Marine products:								
Buttons, pearl.....	474	190	236	426	237	304	541	226
Fish products.....	99	139	124	263	241	127	368	184
Shell, unmanufactured.....	9	1	---	1	1	2	3	---
Other marine products.....	25	2	2	4	1	5	6	5
Total.....	607	332	362	694	480	438	918	415
Sugars:								
Alcohol.....	32	2	3	5	2	1	3	2
Centrifugal.....	97,922	65,891	26,034	91,925	63,678	27,104	90,782	43,291
Molasses and sirups.....	158	---	---	---	---	---	---	---
Muscovado.....	4	---	---	---	---	---	---	---
Refined.....	9,248	4,266	3,815	8,081	5,238	3,277	8,515	5,262
Total.....	107,364	70,159	29,852	100,011	68,918	30,382	99,300	48,555
Tobacco:								
Cigars.....	5,598	2,482	2,909	5,391	2,445	3,259	5,704	2,951
Leaf.....	16	14	59	73	11	431	442	2
Scraps, stripped filler, cigar ends	638	385	447	832	760	1,725	2,485	477
Other tobacco.....	15	1	38	39	7	6	13	---
Total.....	6,267	2,882	3,453	6,335	3,223	5,421	8,644	3,430
Reexports.....	698	286	389	675	236	287	523	326
Unclassified ⁵	2,783	809	2,578	3,387	2,745	2,754	5,499	4,893
Total exports.....	232,847	134,963	106,339	241,302	141,259	116,159	257,418	129,459

¹ Includes embroideries on cotton, silk, and pina cloth.² No shipments during 1934-36; 1937, P2,102,002 designated as "Copper concentrates with gold"; 1938, P465,587 designated as "Copper from gold bullion."³ Except coin and manufactures.⁴ Includes gold and silver manufactures.⁵ Includes gold and silver coin.

TABLE 14.—Quantities of principal shipments to continental United States, in thousands of indicated units, 1934-38 average and January 1938 to June 1940

[Source: Annual, semiannual, and monthly reports of the Insular Collector of Customs]

Commodity	1934-38 average	January- June 1938	July- December 1938	Year 1938	January- June 1939	July- December 1939	Year 1939	January- June 1940
Coconut products:								
Coconut oil..... kilograms	153, 784	66, 289	93, 275	159, 564	86, 841	70, 088	156, 929	80, 487
Copra..... do	195, 803	108, 763	118, 679	227, 442	96, 213	126, 749	222, 962	115, 262
Copra cake and meal..... do	39, 968	16, 533	20, 173	36, 706	23, 643	22, 153	45, 796	44, 677
Desiccated coconut..... do	33, 059	14, 007	20, 222	34, 229	16, 696	24, 616	41, 312	16, 729
Vegetable butter..... do	334	235	125	360	66	54	120	50
Vegetable lard..... do	865	162	82	244	164	124	288	49
Fibers:								
Abaca..... do	38, 567	11, 459	16, 308	27, 767	21, 028	28, 807	49, 835	27, 986
Cordage..... do	2, 614	852	616	1, 468	1, 770	1, 260	3, 030	1, 167
Hats..... number	465	167	188	355	19	18	37	38
Forest products:								
Cutch..... kilograms	5, 607	2, 335	2, 870	5, 205	1, 647	-----	1, 647	-----
Gums and resins..... do	1, 558	409	926	1, 335	741	1, 062	1, 803	1, 280
Lumber..... cubic meters	66	26	24	50	23	32	55	24
Timber..... do	-----	1	1	2	-----	2	2	1
Minerals and metal products:								
Chrome ore..... kilograms	25, 933	44, 916	9, 145	54, 061	25, 487	76, 129	101, 626	85, 765
Copper concentrates..... do ¹	1, 025	287	755	1, 042	692	1, 371	2, 063	851
Gold bullion..... ounces	855	397	483	880	496	541	1, 037	422
Gold ore..... kilograms	1, 608	-----	89	89	11	55	66	94
Iron ore..... do	295	-----	-----	-----	20	-----	20	-----
Iron and steel scrap..... do	-----	-----	-----	-----	-----	-----	-----	3
Manganese ore..... do	1, 095	-----	-----	-----	-----	11, 345	11, 345	26, 981
Silver bullion..... ounces	211	459	597	1, 056	627	659	1, 286	-----
Marine products:								
Pearl buttons..... gross	689	237	341	578	339	469	808	347
Fish and fish products..... kilograms	125	207	194	401	394	194	588	263
Shells, unmanufactured..... do	19	2	1	3	2	4	6	-----
Sugars:								
Alcohol..... proof liters	436	18	35	53	17	18	35	9
Centrifugal..... kilograms	806, 037	578, 461	239, 607	818, 068	575, 261	247, 336	822, 597	425, 849
Molasses and sirups..... do	19, 747	-----	-----	-----	-----	-----	-----	-----
Muscovado..... do	25	-----	-----	-----	-----	-----	-----	-----
Refined..... do	54, 661	25, 381	24, 489	49, 870	33, 144	18, 591	51, 735	32, 402
Tobacco:								
Cigars..... pieces	185, 700	83, 536	96, 701	180, 237	81, 986	110, 222	192, 208	88, 967
Leaf..... kilograms	35	38	113	151	13	1, 131	1, 144	5
Scraps, stripped filler and cigar ends..... kilograms	1, 624	919	941	1, 860	1, 740	3, 928	5, 668	1, 680

¹ No export during 1934-36; 1937, 4,083,885 kilos designated as "Copper concentrates with gold"; 1938, 2,296,108 pounds designated as "Copper from gold bullion"; 2,2046 pounds equal 1 kilogram.

Coconut products.—The value of coconut products exported to the United States in 1939 was ₱42,726,000, approximately 20 percent below the 5-year average and 8 percent below 1938. During the period under review the quantity of coconut oil was fairly constant, but lower prices resulted in the downward trend of values. The 1939 value for copra was 7 and 17 percent below the values for 1938 and for the 5-year average, respectively, in spite of the fact that the quantities for 1938 and 1939 were both well above the 5-year level. The values of copra cake and meal and of desiccated coconut were fairly even, but there was a substantial increase in 1939 in both commodities. While the United States took 83 percent of the value of all coconut products exported during the period 1934 to 1938, this ratio dropped to 75 percent for 1938 alone and to 72 percent for 1939.

Fibers.—The value of fiber products exported to the United States was ₱20,624,000, about 26 percent above 1938 and 9 percent above the 5-year average. Considering abaca, it should be noted that the value for 1939 at ₱8,506,000 was 75 percent greater than the value

for 1938 and represented a recovery to approximately the 5-year position. The quantity of abaca at 49,835 metric tons was 79 percent above 1938 and 29 percent above the 5-year figures. In spite of the fact that shipments of cordage to the United States have been limited since 1935 to a fixed annual quota of 6,000,000 pounds, which has always been filled, the quantity for 1938 was much below the quota. This circumstance resulted from a 12-month-quota period running from May 1 to April 30, with light shipments during the latter part of 1938 and unusually heavy shipments during the first quarter of 1939. Both 1938 and 1939 showed a substantial gain in the value of embroideries. From 1934 to 1938 the United States took 45 percent of the value of fiber exports to all countries; in 1939 this ratio was increased to 54 percent.

Forest products.—Forest products were exported to the United States in 1939 to the value of ₱2,885,000, substantially the same as in 1938 but considerably less than during the 5-year period. Both the quantity and value of lumber, the principal item, increased in 1939 over the previous year. The position of the United States as a purchaser of Philippine forest products has declined on a basis of value from 44 percent during the 5-year period to 41 percent for 1938 alone and to 36 percent for 1939.

Minerals and metal products.—The value of exports of minerals and metal products to the United States during 1939 was ₱76,299,000, almost double the 5-year average and well above the value for 1938. On a basis of value during 1939, the United States took practically all of the gold and silver, most of the chrome, somewhat less than a half of the manganese, and a third of the copper (in all forms). Japan took the rest, including the gold and silver content of copper concentrates.

Marine products.—The 1939 value of marine products exported to the United States was ₱918,000, 51 percent better than the 5-year average and 32 percent better than the value for 1938. Increases were due to heavier shipments both of pearl buttons and fish products. Comparison with exports to all countries shows that the United States sustained the market to the extent of 88 percent.

Sugars.—In 1939, 822,597 metric tons of centrifugal sugar, 51,735 metric tons of refined sugar, and a negligible amount of alcohol, with a value of ₱99,300,000, were shipped to the United States. The combined value was practically the same as that for 1938 and 8 percent below the average for 1934–38. Over 99 percent of Philippine sugars are marketed in the United States.

Tobacco.—On a basis of value, tobacco products to the United States in 1939, at ₱8,644,000, were a third greater than in the previous years under review. The increase was due to greater quantities. The proportion of tobacco exports to the United States as compared with the total to all countries has varied on a basis of value between 59 and 64 percent.

IMPORTS FROM THE UNITED STATES, BY COMMODITIES

Following so far as possible the classification of imports of commodities from all countries (pp. 72 to 74 above), tables 15 and 16 give the value, and for many commodities the quantity, of Philippine imports from the United States.

TABLE 15.—Value in thousands of pesos, of principal shipments from continental United States, 1934-38 average and January 1938 to June 1940

[Source: Annual, semi-annual, and monthly reports of the Insular Collector of Customs]

Commodity	1934-38 average	Jan- uary- June 1938	July- Decem- ber 1938	Year 1938	Jan- uary- June 1939	July- Decem- ber 1939	Year 1939	Jan- uary- June 1940
Cloth and clothing:								
Cotton piece goods	11,958	10,367	9,669	20,036	6,312	11,976	18,288	9,393
Cotton goods, except piece goods and footwear	5,111	4,172	3,449	7,621	2,571	3,904	6,475	4,370
Footwear:								
Cotton	105	86	68	154	45	131	176	80
Leather	407	262	262	524	196	281	477	370
Rubber	13	9	17	26	19	8	27	5
Hats and caps and materials for same	280	178	123	301	118	159	277	120
Rayon goods	1,070	960	735	1,695	1,388	2,656	4,044	5,040
Silk goods	1,150	660	517	1,177	307	411	718	428
Vegetable fiber products, except cotton	117	39	45	84	38	55	93	81
Woolen goods	220	200	149	349	123	252	375	236
Total	20,431	16,933	15,034	31,967	11,117	19,833	30,950	20,123
Foodstuffs:								
Cocoa	512	476	190	666	159	172	331	87
Coffee	152	81	50	131	120	106	226	116
Confectionery	421	305	169	474	235	421	656	602
Dairy products	2,793	1,383	804	2,187	862	1,175	2,037	1,469
Eggs	28	36	1	37	1	3	4	53
Fish products	1,470	951	684	1,635	1,018	1,239	2,257	1,676
Fruits and nuts	2,000	1,703	864	2,567	1,117	1,010	2,127	1,351
Meat products	1,501	770	434	1,204	293	726	1,019	747
Rice	4	3	3	6	16	28	44	43
Starch	501	244	228	472	254	268	522	354
Sugar and molasses	332	260	125	385	100	159	259	195
Tea	7	4	2	6	4	4	8	11
Vegetables	1,600	1,156	716	1,872	989	1,298	2,287	1,319
Wheat flour	3,767	3,294	3,219	6,513	3,442	1,835	5,277	4,000
Other foodstuffs	516	382	240	622	250	375	625	305
Total	15,604	11,048	7,729	18,777	8,860	8,819	17,679	12,328
Metals and metal products:								
Aluminum	119	67	83	150	39	117	156	92
Brass	435	259	163	422	202	370	572	526
Clocks, watches, and parts	292	250	191	441	241	271	512	327
Copper	216	153	85	238	107	144	251	392
Gold, platinum, and silver man- ufactures:								
Gold and silver plated ware	253	161	94	255	122	143	265	158
Other manufactures	277	236	203	439	142	113	255	156
Iron and steel, except machinery and vehicles	14,549	11,782	8,146	19,928	8,871	10,872	19,743	15,462
Lead	228	174	139	313	57	151	208	167
Machinery and apparatus:								
Agricultural	142	122	64	186	25	139	164	136
Electrical	4,970	4,035	2,485	6,520	1,966	4,585	6,551	3,674
Industrial	10,100	10,974	5,340	16,314	6,078	7,100	13,178	7,960
Other industry	664	533	435	968	408	626	1,034	513
Tin	71	26	25	51	13	14	27	34
Vehicles and parts:								
Automotive	9,035	8,706	3,901	12,607	2,289	5,324	7,613	5,827
Other vehicles and parts	875	633	511	1,144	666	362	1,028	636
Total	42,226	38,111	21,865	59,976	21,226	30,331	51,557	36,060
Mineral and chemical products:								
Cement	28	18	53	71	193	81	274	14
Chemicals, drugs, dyes, and medicines	4,111	3,898	2,353	6,251	1,820	3,239	5,059	3,576
Coal	3	2	2	2	2	2	2	2
Earthen, stone, and china ware	431	446	253	699	290	310	600	432
Explosives	1,768	1,562	1,259	2,821	1,356	1,945	3,301	1,786
Fertilizers, chemical and natural	1,994	1,745	425	2,170	796	299	1,095	2,225
Glass and glassware	648	490	380	870	427	636	1,063	502
Matches	2	2	2	2	1	3	4	1
Oils:								
Crude	2,202	1,669	1,170	2,839	1,368	1,351	2,719	2,041
Naphthas and gasoline	5,398	2,612	2,486	5,098	1,610	4,131	5,741	4,686
Illuminating	2,438	887	907	1,794	768	1,489	2,257	1,722
Lubricating	1,329	875	1,109	1,984	374	1,209	1,583	1,303
Other oils	637	505	372	877	291	423	714	819

TABLE 15.—*Value in thousands of pesos, of principal shipments from continental United States, 1934-38 average and January 1938 to June 1940—Continued*

Commodity	1934-38 average	Jan- uary- June 1938	July- Decem- ber 1938	Year 1938	Jan- uary- June 1939	July- Decem- ber 1939	Year 1939	Jan- uary- June 1940
Mineral and chemical products—Con.								
Paints, pigments, and varnishes.	1,250	820	647	1,467	626	949	1,575	843
Perfumery and toiletries.	1,341	1,007	837	1,844	471	1,071	1,542	809
Photographic equipment and supplies.	659	575	449	1,024	239	511	750	726
Motion-picture film.	412	186	111	297	166	165	331	53
Precious stones.	30	13	3	16	8	5	13	4
Soaps.	877	706	529	1,235	219	611	830	510
Total.	25,558	18,016	13,345	31,361	11,023	18,428	29,451	22,052
Miscellaneous products:								
Animals.	41	84	6	90	28	17	45	9
Lamps and parts, not electrical.	194	124	58	182	51	93	144	138
Leather goods other than foot- wear.	2,084	1,897	682	2,579	677	1,262	1,939	1,016
Musical instruments.	184	162	155	317	104	102	206	172
Paper and paper products:								
Books and printed matter.	1,991	1,978	750	2,728	952	1,367	2,319	1,287
Other paper and products.	3,549	3,114	2,022	5,136	1,449	3,174	4,623	5,003
Rubber goods other than foot- wear.								
Automobile tires.	2,660	2,103	1,356	3,459	1,094	2,334	3,428	1,845
Other rubber goods.	508	659	590	1,249	353	789	1,142	755
Spirits, wines, and malt liquors.	352	483	208	691	148	286	434	182
Sporting goods.	225	153	157	310	103	212	315	179
Tobacco products.	8,638	8,861	6,940	15,801	2,968	10,868	13,836	7,670
Toys.	127	160	52	212	98	68	166	60
Wax.	177	54	36	90	81	330	411	332
Wood, bamboo, rattan, and reed.	758	992	250	1,242	345	345	690	384
Total.	21,488	20,824	13,262	34,086	8,451	21,247	29,698	19,032
Unclassified.	4,209	2,774	1,794	4,568	4,110	3,435	7,545	3,336
Total imports.	129,576	107,706	73,029	180,735	64,787	102,093	166,880	112,931

¹ Includes gold and silver bullion and coin.TABLE 16.—*Quantity, in thousands of indicated units,¹ of certain shipments from continental United States to the Philippines, 1934-38 average and January 1938 to June 1940*

[Source: Annual, semiannual, and monthly reports of the Insular Collector of Customs]

Commodity	1934-38 average	Jan- uary- June 1938	July- Decem- ber 1938	Year 1938	Jan- uary- June 1939	July- Decem- ber 1939	Year 1939	Jan- uary- June 1940
Cloth and clothing:								
Cotton piece goods								
square meters.	44,323	39,187	41,999	81,186	35,142	48,433	83,575	37,334
Footwear:								
Cotton.	96	67	46	113	29	90	119	12
Leather.	112	77	77	154	61	78	139	117
Rubber.	6	4	13	17	18	4	22	3
Hats and caps.	311	(2)	(2)	334	(2)	(2)	(2)	(2)
Rayon cloth.	680	(2)	(2)	1,211	(2)	(2)	4,121	(2)
Silk cloth.	170	(2)	(2)	66	(2)	(2)	117	(2)
Vegetable fiber products, except cotton.								
Bags, empty.	303	(2)	(2)	190	(2)	(2)	280	(2)
Burlaps and bagging.								
square meters.	1	(2)	(2)		(2)	(2)		(2)
Other cloths.	3	(2)	(2)	8	(2)	(2)	(2)	(2)
Woolen cloth.	20	(2)	(2)	31	(2)	(2)	66	(2)

See footnotes at end of table.

TABLE 16.—*Quantity, in thousands of indicated units,¹ of certain shipments from continental United States to the Philippines, 1934-38 average and January 1933 to June 1940—Continued*

Commodity	1934-38 average	Jan- uary- June 1938	July- Decem- ber 1938	Year 1938	Jan- uary- June 1939	July- Decem- ber 1939	Year 1939	Jan- uary- June 1940
Foodstuffs:								
Cocoa.....kilos	1,161	1,164	473	1,637	441	616	1,057	298
Coffee.....do	184	95	65	160	118	109	227	135
Confectionery.....do	445	291	169	460	275	555	830	772
Dairy products:								
Butter.....do	149	(2)	(2)	51	(2)	(2)	100	(2)
Cheese.....do	75	(3)	(2)	66	(2)	(2)	63	(2)
Milk, except natural and buttermilk.....do	9,068	(2)	(2)	6,587	(2)	(2)	6,495	(2)
Natural milk and butter- milk.....liters	71	(2)	(2)	22	(2)	(2)	(2)	(2)
Eggs.....dozens	48	46		46		4	4	8
Fish products.....kilos	6,394	3,404	2,374	5,778	3,971	4,769	8,740	6,087
Fruits and nuts.....do	7,341	6,210	2,734	8,944	4,558	4,463	9,021	5,565
Meat products.....do	2,149	916	475	1,391	355	930	1,285	930
Rice.....do	26	24	20	44	143	225	368	265
Starch.....do	3,850	1,810	1,775	3,585	2,263	2,513	4,776	2,772
Sugar and molasses.....do	1,949	1,508	823	2,331	703	1,221	1,927	1,292
Tea.....do	3	2	1	3	2	1	3	5
Vegetables.....do	8,483	5,746	5,005	10,751	6,864	7,564	14,428	8,946
Wheat flour.....do	36,612	27,084	29,306	56,390	35,306	22,918	58,224	41,294
Metals and metal products:								
Aluminum.....kilos	66	33	40	73	18	60	78	49
Iron and steel, except machinery and vehicles:								
Bars or rods of steel.....kilos	6,233	(2)	(2)	12,811	(2)	(2)	28,033	(2)
Railway track materials.....kilos	3,435	(2)	(2)	3,823	(2)	(2)	1,314	(2)
Sheets and plates.....do	34,347	(2)	(2)	34,576	(2)	(2)	37,843	(2)
Structural iron and steel.....kilos	6,562	(2)	(2)	6,256	(2)	(2)	6,877	(2)
Wires.....do	3,961	(2)	(2)	5,106	(2)	(2)	5,087	(2)
Nails, spikes, tacks.....do	4,306	(2)	(2)	5,541	(2)	(2)	(2)	(2)
Nuts, bolts, washers, rivets.....kilos	780	(2)	(2)	1,289	(2)	(2)	2,125	(2)
Pipes and fittings.....do	9,752	(2)	(2)	12,551	(2)	(2)	12,588	(2)
Lead.....do	688	542	526	1,068	194	577	771	521
Tin.....do	129	23	36	59	18	43	61	61
Automobiles and trucks.....actual number	5,423	5,226	1,866	7,092	1,102	2,629	3,731	2,963
Mineral and chemical products:								
Cement.....kilos	537	388	1,626	2,014	8,177	2,648	10,825	182
Coal.....do	121		31	31				
Explosives: Dynamite.....kilos	1,922	(2)	(2)	3,187	(2)	(2)	3,861	(2)
Fertilizers, chemical and natural.....kilos	27,548	24,701	4,758	29,459	10,389	3,551	13,940	25,018
Matches.....do	2	1		1	1	2	3	
Oils:								
Crude.....liters	133,965	79,015	54,212	133,227	76,315	82,738	159,053	102,031
Naphthas and gasoline.....liters	124,748	53,671	51,479	105,150	35,244	101,321	136,565	108,981
Illuminating.....do	68,558	22,759	23,013	45,772	19,837	38,162	57,999	47,511
Lubricating.....do	12,100	6,310	15,575	21,886	2,681	8,910	11,591	9,483
Paints, pigments, and varnishes.....kilos	2,692	1,686	1,265	2,951	1,368	2,151	3,519	1,709
Motion-picture films.....meters	2,013	1,220	733	1,953	1,009	908	1,917	496
Soaps.....kilos	2,265	1,504	1,068	2,572	462	1,323	1,785	933
Miscellaneous products:								
Automobile tires.....number	207	135	97	232	76	176	252	104
Spirits, wines, and malt liquors.....liters	1,000	1,362	578	1,940	429	751	1,180	509
Toys.....kilos	101	119	36	155	78	51	129	34
Wax.....do	808	210	107	317	283	1,033	1,316	1,099

¹ Except automobiles and trucks which are given in actual number.² Data not available.

Cloth and clothing.—The United States supplied ₱30,950,000 worth of fabrics and wearing apparel in 1939. This was about a million pesos less than the value for the previous year but slightly over 50 percent better than the 5-year average. Reference to the imports of this class from all countries shows that the United States has recently recovered its position. During the 5 years 1934 to 1938 the position of the United States in this class dropped to less than half of the total value; in each of the 2 years 1938 and 1939 it supplied nearly three-fifths of the total. The American gains were strong in the principal item in the class, cotton piece goods, in which the value for each of the last 2 years represented an increase of 75 percent or more over the 5-year average. The actual yardage measured in square meters was 83,575,000, substantially the same as in 1938 but approaching double the 5-year average. The recapture of the satisfactory position in cotton piece goods was due to the cumulative effect of the agreement restricting importation of Japanese textiles to 45,000,000 square meters per annum.

Foodstuffs.—The Philippines purchased ₱17,679,000 worth of foodstuffs from the United States in 1939, consisting principally of wheat flour, vegetables, fish, meat and dairy products, and fruits and nuts. As compared with the 5-year average, both 1938 and 1939 showed substantial declines in value and quantity of dairy products, with considerable increases in vegetables and wheat flour, the latter due to United States subsidies. When compared with foodstuff imports from all countries, it will be seen that the United States has generally supplied less than half of the value. To a certain extent, the inferior position of the United States is due to import of rice almost wholly from non-American sources and to successful competition of other countries in wheat flour, meat, and dairy products.

Metals and metal products.—Metals and metal products form the most important group of Philippine imports from the United States. The value of ₱51,557,000 for 1939 was well above the 5-year average but considerably under the preceding year. The principal item, iron and steel except machinery and vehicles, was valued at ₱19,743,000. Referring to the break-down under quantities, it will be seen that the weight of bars and rods (principally reinforcing steel), tubing, and such items as wire, nails, and bolts, during both 1938 and 1939, increased greatly over the 5-year average. Although 1938 showed an unusual increase in the quantity and value of automotive goods, both the value and the quantity for 1939 were lower than in previous years. In the value of machinery and apparatus, the upward trend for electrical and industrial machinery was maintained. Although there were slight gains in agricultural machinery, its total value, ₱164,000 for 1939, was, as in previous years, surprisingly low. The share of the United States in this bracket has been fairly constant, around 80 percent of the value of imports from all countries.

Mineral and chemical products.—There has been a gradual increase in the importance of the American trade in minerals and chemicals. The value for 1939 was ₱29,451,000, slightly under 1938 but substantially in advance of the 5-year average. Mineral oils, particularly crude oil and gasoline, dominate the class, and these showed upward trends in both values and quantities. The American share in the value of imports of mineral and chemical products from all sources has fluctuated between 65 and 70 percent.

Miscellaneous products.—Among miscellaneous products, ₱29,698,000 for 1939, the principal item was tobacco products. There has been a steady growth in the value and quantity of American cigarettes, which are now generally favored over the domestic cigarette. Repeated efforts to produce from native leaf an American-style cigarette have failed. The value of rubber goods other than footwear (including automobile tires) and of paper products increased steadily.

SUGAR QUOTA

The Philippine sugar industry continued as a fixed monopoly under the joint control of the Federal and Commonwealth Governments. Under the Tydings-McDuffie Act (48 Stat. 456), as amended, and the Sugar Act of 1937 (50 Stat. 903) all shipments of centrifugal and refined sugar to the United States were limited, allotted, and controlled. Under the Philippine Sugar Act of 1934 (Philippine Legislature 4166), as amended, the milling and marketing of domestic and reserve centrifugal and refined sugar were similarly limited, allotted, and controlled.

Enforcement of both Federal and Commonwealth quotas and allotments continued under the careful and highly successful Philippine Sugar Administration.

The United States Secretary of Agriculture on December 23, 1938, announced the quota for shipment to the United States at 1,052,854 short tons, raw value, inclusive of 80,214 short tons, raw value, which might be filled either by direct-consumption sugar or refined sugar. The inclusive figure was subsequently reduced on March 1, 1939, to 1,041,023 short tons, raw value. Of the 80,214 short tons, raw value, for direct consumption, 56,000 short tons, commercial weight (equivalent to 59,920 short tons, net weight, raw value) were allotted to refineries for refined sugar shipments. During the year 11,463 short tons of centrifugal sugar were shipped for use as direct-consumption sugar, most of which was a high polarization turbinado sugar. Of the turbinado sugar so shipped, 739 short tons, commercial weight, were found by the United States Bureau of Customs to have increased in polarization above the maximum allowed by the Bureau for centrifugal sugar and was charged against the refined quota.

The trend to production and shipment of turbinado sugar was checked by the provision in the United States act of August 7, 1939 (Public, No. 300, 76th Cong.), that the term "refined sugar" should have the same meaning as "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937. Following the new definition of direct-consumption sugar, no more centrifugal sugar was shipped to the United States for direct-consumption purposes.

On the basis of information given by the Philippine Sugar Administration, 952,796 short tons, commercial weight, of sugars entered the United States from the Philippines during the year 1939, of which amount 56,046 short tons, commercial weight, were refined sugars.

The allocation of the United States-Philippine sugar quota for 1939 was made in Philippine Sugar Order No. 15, October 10, 1938, in the same terms as for the 1938 quota year. The domestic quota was placed at 75,000 short tons, and no reserve quota was issued due to excess stocks. Sugar Order No. 16, March 20, 1939, increased the domestic quota by 15,000 short tons, commercial weight. The allocation of the United States-Philippine sugar quota for 1940 was

on the same basis as for 1939. A domestic quota of 110,000 short tons and a reserve quota of 45,000 short tons was announced in Philippine Sugar Order No. 18, June 26, 1939. The domestic quota was increased by 40,000 short tons in Philippine Sugar Order No. 22, October 27, 1939. Sugar Order Nos. 15 to 22 appear in appendix VII.

The statement that the purely financial result of sugar limitation in the Philippines has been satisfactory held true to the end of the year 1939, although the trend has been steadily downward subsequent to the year 1936. The average annual income from sugar shipped from the Philippines to continental United States, including benefit payments, for the period 1934 to 1939 amounted to ₱111,006,246. This figure was still in excess of returns for any year previous to limitation except 1932 and 1933 when millers and planters engaged in a quota race which resulted in abnormally high production of sugar for the United States market. The following table shows the quantity and value of sugar shipments to the United States during the 10-year period, 1930 to 1939, including income from benefit payments.

Year	Quantity of sugar shipped to United States in metric tons ¹	Value ¹ and income from benefit payments
		<i>Pesos</i>
1930.....	743,980	104,480,451
1931.....	752,932	99,926,210
1932.....	1,016,568	119,603,769
1933.....	1,078,653	128,666,851
1934.....	1,152,841	130,909,161
1935:		
Shipments.....	516,233	65,981,359
Benefit payments.....		24,931,112
Total income.....		90,912,471
1936:		
Shipments.....	899,615	123,854,367
Benefit payments.....		5,788,198
Total income.....		129,642,565
1937.....	868,008	115,221,041
1938.....	867,938	100,005,372
1939.....	874,728	99,346,867

¹ Annual reports of the Insular Collector of Customs.

The International Sugar Agreement continued in effect throughout the period of this report. As a consequence, no exportation was permitted from the Philippines to foreign countries.

OTHER UNITED STATES-PHILIPPINE QUOTAS

Cordage quota.—The cordage quota of 6,000,000 pounds under the Tydings Cordage Act (49 Stat. 340), as extended, was administered by the Office of the President of the Philippines, with the Insular Collector of Customs acting as permit officer until the establishment of the Quota Administration on December 22, 1939. Allocation for the quota year May 1, 1939 to April 30, 1940 was made in Executive Order of the President of the Philippines No. 229, October 31, 1939, and in Quota Administration Order of the Secretary to the President of the Philippines No. 12, Manila, March 20, 1940. These are included in appendix VII.

Coconut-oil quota.—No allocation was made of the United States-Philippine duty-free coconut oil quota prescribed in section 6 (b) and

(d) of the Tydings-McDuffie Act, as the annual limit of 200,000 long tons had not been reached. Shipments of coconut oil to the United States during 1939 totaled only 156,929 metric tons.¹⁶

THE QUOTA ADMINISTRATION

Anticipating the requirements for allocation and enforcement in 1940 of United States-Philippine quotas on cigars, scrap tobacco, stemmed and unstemmed filler tobacco, coconut oil, and pearl buttons prescribed in the Act of August 7, 1939, the Commonwealth Assembly passed Act No. 510, approved November 14, 1939, and President Quezon issued his Executive Order No. 238, December 14, 1939, establishing a general administration for all United States-Philippine quota commodities except sugar. The Quota Administration publishes its allotments and major regulations in a circular series known as Quota Administration Orders, of which Nos. 1 to 14 were issued before June 30, 1940. The full texts of Act No. 510, Executive Order No. 238, and the Quota Administration Orders Nos. 1 to 14 are included in appendix VII.

JAPANESE COTTON TEXTILE QUOTA

The agreement with Japan relative to the limitation of importation into the Philippines of cotton textiles of Japanese origin initiated in 1935 was extended by the United States Department of State to cover the period August 1, 1939 to July 31, 1940. The agreement limits importation into the Philippines to a maximum of 45,000,000 square meters of cotton textiles of Japanese origin from whatever source, including transshipments. The original agreement was for the 2 years ended July 31, 1937. Actual imports of Japanese cotton textiles into the Philippines during the period have been as follows, according to statistics issued by the Bureau of Customs of the Commonwealth Government:

Imports during the 2 quota years originally covered by the agree-	<i>Square meters</i>
ment, Aug. 1, 1935 to July 31, 1937-----	107, 504, 000
Actual arrivals during the quota year Aug. 1, 1937 to July 31, 1938--	41, 936, 475
Actual arrivals during the quota year Aug. 1, 1938 to July 31, 1939--	24, 177, 657
Actual arrivals during the quota year Aug. 1, 1939 to July 31, 1940--	30, 058, 558

Total imports of Japanese cotton textiles during the 5 quota years Aug. 1, 1935 to July 31, 1940-----	203, 676, 690
---	---------------

The tabulation shows that imports during the first 2 quota years were substantially in excess of the quota, this being a result of the inability to control transshipments of Japanese cotton textiles from other than Japan ports. Control over such shipments was subsequently effected by the Japanese, and since that time arrivals have been substantially below the maximum provided in the agreement. Probably a greater cause of reduced imports during recent years has been the dislocation of Japanese industries resulting from the Japanese invasion of China.

Whatever the causes, it is quite evident that during the existence of the agreement, the United States has regained the dominant position in the Philippine cotton textile trade which it held prior to 1934 and which it lost during the 3 succeeding years. This is evident in the

¹⁶ Round figures. A metric ton is equal to 0.9842 of a long ton.

following brief tabulation of the participation of the two countries in the Philippine cotton cloth market since 1936:

	Percent of total quantity from—	
	United States	Japan
1936-37	33	56
1937-38	59	32
1938-39	74	19
1939-40	62	25

OVERSEAS CARRYING TRADE

Customs data relative to high seas tonnage have not been made available for the calendar year 1939. The Collector of Customs followed the shift from the calendar year to the July-to-June fiscal year basis and data were published for January to June 1939 and for the fiscal year ending June 30, 1940. Changes in the composition of the merchant marine fleet engaged in Philippine overseas trade caused by war and invasion are evident in the comparison of calendar year 1938 and fiscal year 1940. American vessels attained premier position in value of both outward and inward cargo, with British vessels ranking second on the same basis. The position of all important nationalities in respect to both volume and value is shown in table 17.

TABLE 17.—*Volume and value of Philippine overseas cargo by nationality of carriers, January 1938 to June 30, 1940*¹

Nationality	Calendar year 1938		January-June 1939		Fiscal year ending June 30, 1940	
	<i>Metric tons</i>	<i>Pesos</i>	<i>Metric tons</i>	<i>Pesos</i>	<i>Metric tons</i>	<i>Pesos</i>
Outward:						
United States	200, 214	31, 800, 204	87, 601	14, 978, 137	456, 785	62, 386, 534
Philippine	34, 467	3, 512, 637	22, 106	2, 860, 280	93, 950	9, 494, 961
British	655, 418	59, 782, 861	344, 947	36, 884, 694	277, 809	27, 514, 724
Japanese	1, 069, 900	57, 018, 319	846, 973	35, 081, 056	1, 690, 257	43, 411, 162
Norwegian	431, 926	31, 449, 786	273, 081	23, 286, 492	418, 245	38, 724, 485
Netherlands	144, 356	12, 883, 436	50, 017	5, 747, 453	92, 834	10, 672, 665
German	121, 193	9, 416, 705	59, 940	4, 465, 283	28, 095	3, 075, 768
Danish	150, 581	13, 974, 940	67, 073	6, 869, 637	101, 775	12, 227, 836
Others	272, 444	10, 425, 212	56, 681	5, 857, 420	275, 321	8, 315, 873
Total outward	3, 080, 499	230, 264, 100	1, 808, 419	136, 030, 452	3, 435, 071	226, 824, 008
Inward:						
United States	281, 453	48, 399, 677	119, 338	11, 255, 830	419, 861	80, 989, 350
Philippine	29, 111	831, 742	26, 643	1, 076, 921	190, 105	12, 336, 710
British	655, 185	110, 606, 653	421, 077	45, 318, 796	426, 603	76, 476, 335
Japanese	136, 247	18, 727, 469	48, 075	6, 089, 402	75, 174	12, 160, 548
Norwegian	278, 585	28, 792, 210	126, 132	9, 490, 136	468, 563	48, 730, 879
Netherlands	154, 636	17, 880, 580	163, 103	8, 267, 112	328, 823	19, 105, 240
German	70, 949	15, 908, 341	43, 412	7, 348, 913	20, 517	7, 161, 191
Danish	55, 581	13, 022, 091	35, 758	4, 756, 534	78, 597	13, 997, 196
Others	161, 545	5, 660, 134	85, 332	6, 342, 743	175, 845	18, 223, 679
Total inward	1, 823, 292	259, 828, 897	1, 068, 870	99, 946, 387	2, 184, 088	289, 171, 128
Total tonnage	4, 903, 791	490, 092, 997	2, 877, 289	235, 976, 839	5, 619, 159	515, 995, 136

¹ Annual reports of the Insular Collector of Customs for 1938, and for the fiscal periods ending June 30, 1939 and 1940.

The share of United States ships in Philippine high seas trade increased in fiscal year 1940 over calendar year 1938 by more than 125 percent in outward volume, nearly 100 percent in outward value, 50 percent in inward volume, and over 65 percent in inward value. The rapid expansion of the Philippine merchant marine accounted for increases of 170 percent in outward volume and value, 550 percent

in inward volume and 1,380 percent in inward value. Of the total tonnage the United States carried 15 percent by volume and over 25 percent by value as compared with 10 percent and 15 percent, respectively, for 1938. Vessels of Norwegian registry lost in outward volume but gained in outward value and inward volume and value. Japanese ships gained in outward volume but lost in outward value and inward volume and value. Volume and value carried by British and German vessels declined markedly in both the outward and inward trades.

Philippine overseas cargo in fiscal year 1940 was carried in 723 vessels and 7 aircraft compared to 630 vessels and 3 aircraft in calendar year 1938. The number of vessels entered by flags included: British, 180; Japanese, 165; American, 85; Norwegian, 82; Netherlands, 55; German, 47; with the balance under 10 other flags including 13 of Philippine registry. The aircraft were all of United States registry.

Considering only the trade between the United States and the Philippines, American bottoms carried 34 percent of the cargo by value; Norwegian, 21 percent; British, 19 percent; Japanese, 7 percent; Danish, 5 percent; Philippine, 5 percent.

Slightly less than two-thirds of the cargo value both inward and outward of the United States-Philippine trade was with Atlantic ports, about a third with Pacific ports, and only a small fraction with Gulf ports.

Of the value of all overseas cargoes cleared and entered in the Philippines, the ports of Manila, Iloilo, Cebu and Davao led in the order named. Legaspi, José Panganiban, and Zamboanga accounted for satisfactory portions in out-bound cargo, while the participation of Jolo and Aparri continued negligible.

COASTWISE TRADE

There were nearly 1,800 steam, Diesel, and sailing vessels with a total net tonnage of 96,900 operating over inter-island routes during the fiscal year 1940, compared with 1,700 vessels with net tonnage of 81,300 for the calendar year 1938. These vessels made 23,068 entries and 23,230 clearances during the period.

LAND TRANSPORT

Movement by rail in Luzon over the lines of the Manila Railroad totaled 1,491,276 metric tons for the calendar year 1939 as compared with the total of 1,543,270 reported for 1938, a decline of more than 3 percent. Decreases in quantities of rice, sugarcane, copra, coconuts, and molasses, outweighed increased movement in centrifugal sugar, mineral products, lumber, timber, and manufactured goods. Sugar and sugarcane taken together continued the main support of the Manila Railroad, furnishing practically half of the tonnage.

The satisfactory volume of motor transport activities during the year may be gauged by the increase in the registration figures. Registration of private and commercial trucks in calendar year 1939 reached 13,024 units, nearly 10 percent above registration in 1938. Public service busses registered for operation increased from 4,123 in 1938 to 4,294 in 1939. Registrations for 1939 covering all motor vehicles were reported at 51,918 compared with 51,170 for 1938.

AVIATION

The Pan American Airways Co. maintained regular and highly satisfactory trans-Pacific service during 1939, with only such inter-

ruptions in schedule as were caused by inclement weather. The number of passengers carried in 1939 was 1,441 as compared with 1,019 in 1938; air mail weighed 8,709 pounds against 7,385 pounds; air express, 18,752 pounds compared with 10,399. No disaster was recorded during the period under review.

The report of the Bureau of Aeronautics covering domestic air service operations during 1938 and 1939 follows:

	Calendar year	
	1938	1939
Number of passengers carried, commercial, including scheduled and nonscheduled flights	21,728	22,063
Number of passenger-miles flown, commercial, excluding nonscheduled flights	1,577,639	1,411,140
Number of miles flown, commercial, including scheduled and nonscheduled flights	783,893	735,930
Pounds of air express carried, including scheduled and nonscheduled flights	1,043,387	3,173,862
Pounds of air mail carried	8,661	15,737

AIRFIELDS AND AIRPORTS

In 1938 the Commonwealth Government appropriated in Act 330 the amount of ₱1,500,000 for "continuing the construction of the Manila Airport". On October 27, 1939, the President of the Philippines approved Act 506, section 2 of which amended the appropriation provided for the Manila Airport to read "for continuing the construction of the Dewey Boulevard Extension, Manila." It is apparent that the construction of the central national airport in Manila has been discontinued. The report of the Department of National Defense for the fiscal year ending June 30, 1940, nevertheless, recommended the establishment of a central national airport in Manila.

Landing fields were classed and listed in the report of the Department of National Defense for the fiscal year 1940 as follows:

Commercial national airports	46
Military national airports and landing fields	5
National emergency landing fields	9
National natural emergency landing fields	2
Private airports and landing fields	20
United States military airports and landing fields	3
Total	85

AGRICULTURAL PRODUCTION

Unfortunately, no agricultural statistics are available for either calendar or farm years 1939 or 1940. The reports on production and commercial value of crops by farm years ending June 30 customarily released by the Department of Agriculture and Commerce have been suspended, the last report, that for the farm year 1938, was given in the Third Report of the United States High Commissioner, Manila, October 1, 1940. The Philippine census 1939 enumerated production and farm value of crops for the calendar year 1938. The returns differed so considerably from those of the Department of Agriculture and Commerce for farm year 1938 that comparison would be misleading. A general reorganization of Commonwealth statistical services is being undertaken by the Bureau of the Census and Statistics. This Bureau hopes to release in the near future agricultural data for 1940 on a basis similar to the figures for 1938.

The following tabulation is a summary of agricultural production during the calendar year 1938 based on the returns for the census of the Philippines, 1939.

TABLE 18.—*Production by principal crops of the Philippines, calendar year 1938*

Crop	Quantity	Farm value (pesos)
Mainly for export:		
Sugarcane—		
For sugar centrals..... metric tons..	7, 478, 747	41, 187, 804
For other purposes ¹		4, 245, 623
Coconuts..... nnts..	2, 303, 077, 909	28, 013, 002
Abaca fiber..... kilograms..	144, 130, 511	11, 376, 015
Tobacco leaf..... do.....	32, 114, 862	3, 555, 114
Pineapples..... fruits.....	20, 782, 441	767, 091
Para rubber..... kilograms..	947, 728	558, 435
Maguay fiber..... do.....	6, 460, 917	340, 009
Kapok floss and seeds..... do.....	2, 588, 866	248, 451
Derris root..... do.....	376, 051	102, 221
Ramie fiber..... do.....	185, 828	54, 461
Total, mainly for export.....		90, 448, 226
Mainly for domestic consumption:		
Rice (palay)..... cavans ²	41, 491, 993	109, 670, 043
Corn..... (cavans ³	7, 940, 826	18, 239, 705
..... green ears.....	113, 729, 691	473, 506
Sweet potatoes..... kilograms..	406, 852, 259	9, 074, 863
Bananas..... bunches.....	42, 052, 112	8, 329, 829
Cassava tubers..... kilograms..	169, 269, 036	3, 735, 344
Mangoes..... fruits.....	181, 539, 781	2, 900, 810
Jackfruits..... do.....	15, 094, 975	2, 532, 425
Bamboo..... stalks.....	10, 510, 575	1, 593, 168
Papayas..... fruits.....	54, 623, 159	1, 179, 478
Lanzones..... kilograms..	9, 878, 128	1, 087, 597
Watermelons..... fruits.....	7, 926, 819	920, 689
Mungo..... kilograms..	7, 009, 489	896, 076
Tomatoes..... do.....	13, 585, 590	831, 556
Gabe (taro)..... do.....	23, 104, 605	730, 556
Durian..... fruits.....	3, 315, 896	700, 126
Coffee..... kilograms..	1, 969, 365	678, 011
Peanuts..... do.....	6, 528, 524	537, 777
Dry beans..... do.....	3, 111, 497	428, 219
Ube..... do.....	10, 547, 836	421, 017
Mandarins..... fruits.....	29, 790, 726	408, 303
Eggplants..... do.....	123, 529, 738	388, 498
Cabbages..... kilograms..	2, 669, 190	380, 636
Onions..... do.....	2, 777, 190	364, 633
Oranges..... fruits.....	21, 026, 656	340, 799
Pumpkinlo..... do.....	18, 315, 236	337, 256
Cacao..... kilograms..	548, 999	327, 674
Pili nuts..... do.....	4, 107, 363	302, 856
Other crops ⁴		3, 091, 729
Total, mainly for domestic consumption.....		171, 382, 162
Total all crops.....		261, 830, 388

¹ Includes 124,068,154 stalks of cane for chewing, 56,486,483 pieces of panochas, and 18,237,617 liters of basi.

² One cavan of palay weighs 44 kilograms.

³ One cavan of corn weighs 58 kilograms.

⁴ Includes all crops with production at less than P300,000.

Notwithstanding the absence of statistical reports on crop production for farm year 1939, it is thought that there was a substantial increase in quantities of most of the major crops except possibly in sugar and coconuts.

The apparently slow growth of agricultural production in the Philippines has been discouraging, particularly in the light of the rapidly increased population and a sufficient area of unoccupied land. Efforts at land settlement and extension of communications into the unsettled areas have been emphasized during the past few years, but the number of settlers attracted to new areas has probably not kept pace with the increase in rural population. In very large degree the

economic adjustment of the Philippines rests upon a solution of agricultural and settlement problems. The meagerness and unreliable character of agricultural statistics contribute to the difficulty of an intelligent approach to these problems.

MINERAL PRODUCTION

The effect on national income and employment arising from rapid development of mineral resources has been the outstanding advance in Philippine economy during the past decade. Table 19 details the nearly 20 percent increase in the production and value of export minerals for the calendar years 1938 and 1939.

TABLE 19.—*Export mineral production in the Philippines, 1938 and 1939*

Export mineral	Calendar year 1938 ¹	Calendar year 1939 ²
Gold.....fine ounces.....	897, 088	1, 040, 625
Value.....pesos.....	62, 630, 306	72, 184, 491
Silver.....fine ounces.....	1, 175, 192	1, 350, 100
Value.....pesos.....	1, 487, 155	1, 753, 112
Copper concentrates..... ³ pounds.....	7, 777, 254	12, 063, 670
Value..... ³ pesos.....	1, 367, 099	2, 236, 393
Copper ore..... ³ metric tons.....	17, 733	25, 333
Value..... ³ pesos.....	305, 656	726, 091
Chrome ore.....metric tons.....	74, 179	133, 071
Value.....pesos.....	1, 543, 197	2, 150, 651
Iron ore.....metric tons.....	905, 375	1, 194, 574
Value.....pesos.....	4, 050, 046	5, 162, 283
Lead ore.....metric tons.....	262	40
Value.....pesos.....	60, 608	6, 781
Manganese ore.....metric tons.....	53, 036	29, 052
Value.....pesos.....	1, 023, 812	559, 215
Platinum.....troy ounces.....	7	6
Value.....pesos.....	302	252
Zinc ore.....metric tons.....	565	-----
Value.....pesos.....	53, 106	-----
Total value.....pesos.....	72, 521, 287	84, 779, 269

¹ Data from "Bulletin of Philippine Statistics," vol. 6, No. 3.

² Data from "Economic Review of the Philippine Islands for the Year 1940," by the Foreign Service of the United States of America, Manila.

³ Data from "Philippine Mining Year Book for 1940," p. 176-B.

Based on the collections by the Philippine Bureau of Internal Revenue for the fiscal year ended June 30, 1940, the output of mineral items almost entirely utilized in the Philippines included the following:

Coal.....metric tons.....	95, 659
Lime.....do.....	13, 232
Rock asphalt.....do.....	7, 918
Clay.....value in pesos.....	42, 655
Miscellaneous minerals, including marble, asbestos, guano, gypsum, sulphur, silica.....value in pesos.....	85, 401

Cement production by the two factories operating in the Philippines during the calendar year 1939 was estimated at 1,394,000 barrels.

The Bureau of Mines continued in 1939 and 1940 its assignment to explore for sources of mineral oil. No report has been made and it is generally understood that results have been unencouraging.

MANUFACTURE

The principal manufacturing enterprises continued to be those engaged in the elaboration of agricultural products for the overseas

trade. In this group there were 47 sugar centrals of which two were inoperative, their United States quotas having been milled in adjoining centrals; 2 sugar refineries—one of which was owned by the government; 8 "quota" coconut oil mills; 4 desiccated coconut factories; 7 "quota" tobacco baling establishments; 14 "quota" cigar factories; 41 abaca baling establishments; and 4 "quota" cordage factories.

Of small-scale factories engaged in the preparation of food products mainly for domestic consumption, the number reported by the Department of Agriculture and Commerce was:

Bakeries.....	1, 704
Breweries.....	2
Candy factories.....	203
Canneries—fruit, vegetable, and fish.....	17
Cigar and cigarette factories.....	82
Coconut oil factories.....	9
Coffee and chocolate factories.....	62
Corn mills.....	1, 009
Distilleries and rectifiers (including several for nonedible products).....	92
Fisheries (licenses).....	11, 853
Fish ponds.....	4, 345
Fish drying and salting plants.....	854
Ice cream factories.....	291
Lard factories.....	39
Macaroni and vermicelli factories.....	22
Muscovado sugar mills.....	1, 427
Rice mills.....	4, 012
Soft drinks bottling plants.....	237
Starch factories (mostly edible starch).....	28

Among the industries devoted to the mineral resources, there were in operation 49 gold, 2 copper, 8 chrome, 4 iron, and 9 manganese mines, of which the entire product was exported. In addition, 65 brick and tile factories, 2 cement mills, 2 coal mines, 1 gypsum mine, 205 lime kilns, 1,909 potteries, 1 rock asphalt quarry, and an unreported but large number of stone quarries operated for domestic consumption.

In the forest industries, there were 226 sawmills (147 of commercial scale), 224 wooden boat building plants, 59 box factories, 227 carriage makers, 1,056 furniture manufactories, 337 wooden shoe factories (household industry), and an unreported but large number of licensed collectors of rattan and gums.

Among miscellaneous establishments were 460 machine and repair shops, 19 comb and pipe factories, 1,126 embroiderers (mainly household industry), 3,824 hat makers (household industry), 399 knife and bolo factories, 4 match factories, 3 pearl button factories (mainly export), 330 printing shops, 705 shoe factories (mainly household industry), 1,339 slipper factories (household industry), 85 tanneries, 121 wax candle factories, 2 textile mills, and 14,531 cloth weavers (household industry).

Among public utilities, there were 2 railroads, 182 electric plants, 96 ice plants, and an unreported but large number of relatively small autobus and trucking companies. The output of electric current was estimated at over 158 million kilowatt-hours during 1939, an increase of nine percent over the output for 1938. The bulk of this output is used for lighting and comparatively little of it for industrial enterprises. A new medium scale hydroelectric plant is under construc-

tion by the government on the Caliraya River, approximately 100 kilometers south of Manila.

The foregoing lists will undoubtedly be substantially revised when the returns of the 1939 census are available.

Except for manufactories engaged in elaboration of agricultural, forest, and mineral products for export, Philippine industries are small in scale and over 90 percent of them are in fact household industry units. The only advance during 1939 and 1940 in large scale factory production was the National Development Co.'s textile mill which began operations in August 1939. The production of this establishment for 1940 was limited to approximately 1,000,000 square yards of cotton cloth, about 300,000 towels, and an unreported quantity of yarn for use by household weavers. Considerable emphasis on industrialization may be found in recent speeches and writings of economists and government officers, and to a considerable extent the people have been led to believe that Philippine economic adjustment should take the direction of industrialization. However, very little has developed along these lines due to various causes of which the more important are: the want of labor immediately adaptable to factory industries; the timidity of local capital; and the inability to attract outside capital in the face of the political uncertainty of approaching independence.

MERCHANDISING

Gross sales of merchandising during 1939 are estimated at around 600 million pesos. Export and import merchandising was predominantly under the control of non-Filipino merchants, chiefly American and British. Considering capital value, retailing was also in the hands of Chinese, Japanese, and Americans. For 1938 the Department of Agriculture and Commerce reported retail stores classified as follows:

Number of stores:	
With capital below ₱500.....	96, 374
With capital of ₱500 to ₱1,000.....	14, 710
With capital of over ₱1,000.....	12, 231
Nationality of owners of above stores:	
American.....	541
Filipino.....	102, 413
Chinese.....	18, 637
Japanese.....	1, 077
Hindus.....	292
Other nationalities.....	355

A complete revision of these figures will eventually be available from the 1939 census.

ECONOMIC LEGISLATION

The most outstanding legislative measure affecting Philippine business and trade during the period under review in this report was the act of August 7, 1939.

It will be recalled that the principal terms affecting Philippine trade with the United States as set forth in the Independence Act (48 Stat. 456) as amended by the Tydings Cordage Act (49 Stat. 340) but prior to further amendment were, in summary form, as follows:

A. FIRST HALF OF THE COMMONWEALTH PERIOD ¹⁷

1. *Sugar*.—Up to 800,000 long tons unrefined and 50,000 tons refined per annum, duty-free entry. Above the quotas, a levy in the United States of the full United States foreign import duty.

¹⁷ November 15, 1935, to November 14, 1940.

2. *Coconut oil*.—Up to 200,000 long tons per annum, duty-free entry. Above the quota, levy in the United States of the full United States foreign import duty.

3. *Cordage*.—Up to 6,000,000 pounds per annum, duty-free entry into the United States. Above the quota, none to be admitted.

4. *All other Philippine goods*.—Duty-free entry into the United States without limits.

5. *All United States goods*.—Duty-free entry into the Philippines without limits.

B. SECOND HALF OF THE COMMONWEALTH PERIOD ¹⁸

1-3. *Sugar, coconut oil, cordage*.—Within the quotas established for the first half of the Commonwealth period, levy in the Philippines of export taxes on the following annually ¹⁹ increasing scale of percentages of the full United States foreign import duties: 1940-41, 5 percent; 1941-42, 10 percent; 1942-43, 15 percent; 1943-44, 20 percent; 1944-45, 25 percent; November 15, 1945-July 3, 1946, 25 percent. Above the quotas for sugar and coconut oil, levy in the United States of the full foreign import duty. Above the quota for cordage, none to be admitted.

4. *All other Philippine goods*.—No quotas, but levy in the Philippines of export taxes on the same annually increasing scale of percentages of the full United States foreign import duties as provided for the sugar, coconut oil, and cordage quotas.

5. *All United States goods*.—Duty-free entry into the Philippines without limits.

C. AFTER INDEPENDENCE ²⁰

1-4. *All Philippine goods*.—Levy of the full United States foreign import duties.

5. *All United States goods*.—Levy of the full Philippine foreign import duties.

The foregoing plan was devised in the belief that its application would separate Philippine trade by degrees from its dependence on preferences in the United States, and that the separation being forced gradually over a period of ten years would admit of a satisfactory adjustment of Philippine production and marketing to meet the conditions of independence.

President Roosevelt in his message to Congress recommending the approval of the independence bill stated that "where imperfections or inequalities exist, I am confident that they can be corrected after proper hearing and in fairness to both peoples." Reference to this statement was embodied in the Joint Resolution of the Philippine Legislature accepting the provisions of the act.

As a result of conferences held in Washington in 1937 between President Quezon and Mr. Sayre, then serving as Assistant Secretary of State, a joint committee, composed of American and Filipino officials, was appointed by President Roosevelt and President Quezon "to study trade relations between the United States and the Philippines and to recommend a program for the adjustment of Philippine national economy."

In accordance with the recommendations of this Joint Preparatory Committee on Philippine Affairs, a bill was introduced in Congress early in 1939 providing, among other things, that in order to save certain basic Philippine industries from disruption or ruin the Philippine export taxes required by the Independence Act should not be imposed upon shipments of coconut oil, cigars, scrap and filler tobacco and pearl buttons but that, in their stead, quotas should be imposed restricting the duty-free shipments of each of these to the United States to a progressively diminishing amount. After various modifications the bill was passed by Congress and approved by President

¹⁸ November 15, 1940, to July 3, 1946.

¹⁹ Actually for 12-month periods beginning November 15th.

²⁰ Except as may be modified by Congress acting on recommendations of a joint conference to be held at least 1 year prior to independence.

Roosevelt on August 7, 1939. After acceptance by the Commonwealth the act was proclaimed in effect as of December fourteenth of the same year. (See appendix III (b) for text of Commonwealth Act 511 and Proclamation of the Commonwealth President No. 492.)

The principal terms for trade between the Philippines and the United States prescribed in the act of August 7, 1939, were, in brief, as follows:

A. FIRST HALF OF THE COMMONWEALTH PERIOD ²¹

1-3. *Sugar, coconut oil, cordage*.—No change from the terms of the Tydings-McDuffie Act as amended by the Tydings Cordage Act, except the shift to calendar years.

Ex 4. *Cigars for calendar year 1940*.—Up to 200,000,000 pieces, duty-free entry. Above the quota, levy in the United States of the full United States foreign import duty.

Ex 4. *Scrap and filler tobacco for calendar year 1940*.—Up to 4,500,000 pounds duty-free entry. Above the quota, levy in the United States of the full United States foreign import duty.

Ex 4. *Pearl or shell buttons for calendar year 1940*.—Up to 850,000 gross, duty-free entry. Above the quota, levy in the United States of the full United States foreign duty.

4. *All other Philippine goods*.—Duty-free entry into the United States without limit.

5. *All United States goods*.—Duty-free entry into the Philippines without limit.

B. SECOND HALF OF THE COMMONWEALTH PERIOD ²²

1 and 3. *Sugar and cordage*.—Within the quotas established for the first half of the Commonwealth period, levy in the Philippines of export taxes on the following annually ²³ increasing scale of percentages of the full United States foreign import duty: 1941, 5 percent; 1942, 10 percent; 1943, 15 percent; 1944, 20 percent; 1945, 25 percent; January 1-July 3, 1946, 25 percent on one-half the quotas. Above the quota on sugar, levy in the United States of the full United States foreign import duties. Above the quota on cordage, none admitted.

2. *Coconut oil*.—Quotas free of export taxes or import duties beginning at 190,000 long tons for 1941, decreasing by 10,000 long tons annually to 1945, and a quota of 75,000 long tons for January 1-July 3, 1946. Above quotas, levy in United States of the full United States foreign import duty.

Ex 4. *Cigars*.—Quotas free of export taxes or import duties beginning at 190,000,000 pieces for 1941, decreasing by 10,000,000 pieces annually to 1945, and a quota of 75,000,000 pieces for January 1-July 3, 1946. Above quotas, levy in the United States of the full United States foreign import duties.

Ex 4. *Scrap and filler tobacco*.—Quotas free of export taxes or import duties beginning at 4,275,000 pounds for 1941 and decreasing by 225,000 pounds annually to 1945, and a quota of 1,687,500 for January 1-July 3, 1946. Above quotas, levy in United States of the full United States foreign import duty.

Ex 4. *Pearl or shell buttons*.—Quotas free of export taxes or import duties beginning at 807,500 gross for 1941, decreasing by 42,500 gross annually to 1945, and a quota of 368,750 gross for January 1-July 3, 1946. Above quotas, levy in United States of the full United States foreign import duty.

Ex 4. *Embroideries*.—Levy in the Philippines of export taxes on the same annually increasing scale of percentages of the full United States foreign import duty as provided for the sugar and cordage quotas, except that in determining the taxable value, an allowance shall be made equal to the c. i. f. Philippines cost of any cloth of United States origin used in the production thereof.

4. *All other Philippine goods*.—No quotas, but levy in the Philippines of export taxes on the same annually increasing scale of percentages of the full United States foreign import duties as provided for the sugar and cordage quotas.

5. *All United States goods*.—Duty-free entry into the Philippines without limit.

C. AFTER INDEPENDENCE ²⁴

1-4. *All Philippine goods*.—Levy of the full United States foreign import duties.

5. *All United States goods*.—Levy of the full Philippine foreign import duties.

²¹ November 15, 1935, to December 31, 1940.

²² January 1, 1941, to July 3, 1946.

²³ Calendar years. Cordage quota year adjusted to calendar-year basis for 1942.

²⁴ Except as may be modified by Congress acting on recommendations of a joint conference to be held at least 2 years prior to independence.

The full text of the act of August 7, 1939, will be found in appendix III.

Revision of the Internal Revenue Code.—Commonwealth Act No. 466, effective July 1, 1939, was a complete revision of all internal revenue legislation. The principal features were: (a) The base of the income tax for individuals was broadened, exemptions curtailed, and a schedule of progressive rates running from 1 percent at ₱2,000 up to 45 percent at over ₱2,000,000 was substituted for the former base rate of 3 percent plus surcharges, arranged in such manner as to increase payments by about 50 percent on the average; (b) the corporate income tax was raised from 6 to 8 percent; (c) an estate tax was introduced; (d) the inheritance tax rates on legacies to non-relatives were sharply increased; (e) gift taxes were introduced; (f) the 1½ percent percentage tax on business (commonly known as the "sales tax") was changed by substituting a schedule of rates running from 1½ to 10 percent on luxuries, by eliminating the former cumulative feature due to levy on each transaction, and by exemptions favoring local processing and manufacture for export; (g) the rates in the higher brackets of the progressive schedule on output of gold mines were nearly doubled; and (h) a compensating tax collected upon delivery of merchandise imported from abroad or shipped from the United States to persons other than merchants was included to discourage the growing avoidance of the percentage tax on business through mail orders and indent purchases.

While the rates were generally revised to much higher levels than formerly obtained, the net average rate is not excessive when measured by United States or foreign standards, and business undoubtedly profited by elimination of the cumulative feature in the sales tax, and by a provision for proscription of levies. The fact remains, however, that the cost of production and of trading was raised in the face of a moral mandate to adjust costs to lower levels in preparation for the competition in world markets which must ensue upon independence. Sugar producers claim that this and other tax legislation and labor laws have increased their costs in an amount greater than the anticipated levies of export taxes under the Independence Act program. Moreover, it is quite true that the availability to the Commonwealth Government of coconut-oil excise tax funds to support the bulk of public works could have made the increases unnecessary from the standpoint of government income.

Eight-hour law.—Commonwealth Act 444, effective June 3, 1939, established an 8-hour day with 6-day week for all persons employed in any industry or occupation, public or private, except farm laborers, domestic servants, personal service, and members of an employer's family. Overtime at 25 percent additional pay was made allowable for Sundays and legal holidays, and for serious cause. The act further provided that, "In case of national emergency the Government is empowered to establish rules and regulations for the operation of the plants and factories and to determine the wages to be paid the laborers."

Objection to the measure was widespread, particularly among Filipino, Chinese, and Japanese employers, who claimed that the measure would prevent the Philippines from adjusting its industrial production to compete with that of oriental countries where labor days run to 12 hours. As a consequence, Commonwealth Act 494 was approved on September 30, 1939, permitting the Commonwealth Presi-

dent "to suspend, either wholly or partially and under such conditions as he may deem proper," the operation of Commonwealth Act 444. No suspension has yet been made.

Revision of assessment law.—Commonwealth Act No. 470, to be effective January 1, 1940, provided new and higher rates as a basis for taxation of real property. An important change was the inclusion of machinery after its first 5 years of operation. The inclusion of machinery fell heavily on sugar centrals, coconut-oil mills, and other industries slated to support increasing levies of export taxes or decreasing quotas during the balance of the Commonwealth period.

Emergency powers.—Several broad blocks of emergency powers delegated to the Commonwealth President by the National Assembly in September 1939 created alarm in commercial circles. Act 496 empowered the Commonwealth President to take over and operate "any public service or enterprise" in times of emergency and provided a formula for compensation to owners.

Act 497 arranged for executive levy of excessive tonnage dues on vessels to prevent exorbitant increases in freight rates.

Act 498 authorized the Commonwealth President to purchase and store food, clothing, building materials, chemicals, fertilizers, and industrial and agricultural machinery and to fix maximum selling prices. ₱10,000,000 were set-up as an initial appropriation for carrying out the purposes of the measure. Pursuant to the price-fixing clause, the Commonwealth President issued Executive Order 233, November 8, 1939, fixing prices at various ports and market points for all usual brands of condensed and evaporated milk, sardines, corned beef, vegetable lard, sugar, wheat flour, galvanized iron sheets, wire, nails, reinforcing steel, motor alcohol, petroleum products, cement, rice, corn, meat, and *mongos* (small beans).

Act 499 provided control over transfer of registry of Philippine vessels.

The delegated powers, other than for price fixing, were exercised lightly and infrequently. While the prices fixed under Act 498 were reasonably high, the effect was to deplete stocks, especially of building materials, through limitation of import orders to immediate needs and some reexport to the China coast where prices on certain items were well in advance of the maximum fixed for the Philippines. It was generally felt that, with war conditions threatening, it was desirable to promote rather than discourage the extension of stocks of necessary imports. Should a shortage of Pacific tonnage develop, the depletion of essential stocks may become a serious factor in the situation.

Special sugar tax.—Commonwealth Act No. 567, effective June 7, 1940, declared an emergency in the Philippine sugar industry due to the threatened imposition of export taxes under the provisions of United States laws, and pronounced the sugar industry as at present constituted a monopoly. Section 1 states, "It is, therefore, declared to be the national policy to obtain a readjustment of the benefits derived from the sugar industry by the component elements thereof—the mill, the landowner, the planter of the sugarcane, and the laborers in the factory and in the field. It is likewise, declared to be the national policy to stabilize the sugar industry so as to prepare it for the eventuality of the loss of its preferential position in the United States market and the imposition of the export taxes."

The provisions of the law were as follows:

(a) Levy of a basic specific tax (in addition to the regular internal revenue percentage tax of 1½ percent on the gross receipts of proprietors or operators of sugar mills, corporate income taxes, real property including machinery taxes, and other general taxes) on all proprietors or operators of centrifugal sugar mills of ₱0.02 on every picul of the total marketable sugar manufactured by them.

(b) An additional specific tax to increase progressively at the rate of 5 centavos on every picul of the total marketable sugar manufactured for every 1 per centum by which the share of the mill in the sugar manufactured from the sugarcane belonging to others exceeds 40 but does not exceed 45 per centum of the total thereof, and 10 centavos on every picul for each 1 per centum by which such share exceeds 45 per centum.

(c) Prohibition against the shifting of the tax to planters.

(d) The President of the Philippines may in the case of particular proprietors or operators waive, from year to year, any or all of the taxes provided in the act except the basic specific tax of ₱0.02, when, in view of the peculiar conditions affecting such mills, the provisions of the act cannot be enforced as against them without being unduly oppressive and/or confiscatory.

(e) When any land devoted to the cultivation of sugarcane is ceded to others by the owner or person in control under lease or otherwise, such owner or person in control shall pay a tax equivalent to the difference between the money value of the rental and the amount of 12 per centum of the assessed value of the land; and

(f) Collections shall accrue to a special fund, the "Sugar Adjustment and Stabilization Fund", and shall be disbursed only for the purpose of placing the sugar industry in a position to maintain itself despite the gradual loss of its preferential position in the United States market, of adjusting the benefits derived from the sugar industry, by all of the component elements thereof, limiting the production of sugar to areas more economically suited to the production thereof, to afford labor employed in the industry a living wage and improve their living and working conditions, establishing and operating sugar experiment stations, and organizing the necessary agencies to administer the funds.

The passage of this act by the National Assembly and its approval by the Commonwealth President were bitterly contested by sugar central owners and by absentee owners of sugar land. The sugar central interests claimed that the additional rates of 5 centavos and 10 centavos based on division of sugar between mill and planter were designed to force the revision of lawful contracts upward in the interests of the politically powerful planter group, that the delegation of authority to apply or not to apply the tax to particular mills would result in favoritism and nonuniformity of taxation, and that both the foregoing provisions were unconstitutional. The landowners were radically opposed to the penalty provisions respecting rate of rental.²⁵

The sugar interests have cited Act 567 together with the general increases resulting from the revision of the Internal Revenue Code, Act 466, as evidence that the Commonwealth Government itself intends to impose on sugar heavier burdens than those levied in the Tydings-McDuffie Act as amended. They have advanced the argument that the combination of the levies from two sources will so drain their profits as to make adjustment impossible and that under the circumstances they will be compelled to seek at the earliest opportunity the repeal of the sugar provisions of the Tydings-McDuffie Act.

IX. PUBLIC FINANCE AND BANKING

In the following discussion of public finance and banking there are included a number of statistical tables and related comments in which comparisons are made between current figures and figures pertaining to previous periods. In certain cases it has been difficult to make

²⁵ Commonwealth Act 593, approved August 19, 1940, suspended the collection of the tax on rental for the year July 1, 1939, to June 30, 1940. Subsequently, before the date for first collection, the Commonwealth President found that the additional rates of 5 centavos and 10 centavos should not apply to any of the sugar mills.

significant comparisons because of the fact that the Commonwealth recently changed its fiscal year from the former calendar year basis to the 12-month period ending June 30. As Act 373, which accomplished this change, defined the fiscal year 1939 as the 6-month period ending June 30, 1939, operations and figures for the fiscal years 1939 and 1940 are not comparable. Where practicable, data for the fiscal year 1940 are compared with the preceding 12-month period.

FINANCIAL LEGISLATION

In the fiscal year ending June 30, 1940, the President of the Commonwealth submitted to the National Assembly a general budget for the fiscal year 1941 estimating general revenues and recommending their expenditure and two special budgets relating to coconut oil excise tax receipts. The coconut oil budgets are treated separately in section III of this report.

GENERAL BUDGET, FISCAL YEAR 1941

The general budget for the fiscal year ending June 30, 1941, was submitted to the National Assembly by the President of the Philippines on February 6, 1940. The income of the general fund was estimated at ₱91,178,150, and total expenditures were fixed at ₱91,020,830. The estimated surplus was therefore to be increased slightly from ₱9,672,850.60 at the beginning of the fiscal year to ₱9,830,170.60 at the end of the fiscal year. Income was estimated at ₱10,903,745.77 less than in the fiscal year 1940 and expenditures at ₱18,346,365.16 less. Income was expected to decline as a result of less favorable economic conditions, and expenditures (chiefly extraordinary expenditures) were to be reduced, presumably in order to keep the budget in balance. A summary table comparing totals of the 1941 budget with the actual results of immediately preceding years is shown below:

TABLE 20.—*Estimates of income and expenditures in summarized form, for the fiscal year 1941, compared with actual income and expenditures for the fiscal years 1938, 1939, and 1940, of the general fund (exclusive of coconut-oil excise tax)*

Particulars	1941 (July 1940-June 1941) (estimated) ¹	1940 (July 1939-June 1940) (actual)	1939 (January-June) (actual)	1938 (January-December) (actual)
General fund: ²	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
Income	91,178,150.00	102,081,895.77	48,609,573.66	88,350,981.42
Ordinary expenditures:				
General	79,782,950.00	80,140,117.32	37,327,149.35	65,485,432.69
Fixed	9,366,180.00	7,498,513.92	4,253,446.86	10,455,153.52
Total	89,149,130.00	87,638,631.24	41,580,596.21	75,940,586.21
Extraordinary expenditures	1,871,700.00	21,728,563.92	24,027,909.43	22,095,350.00
Total expenditures	91,020,830.00	109,367,195.16	65,608,505.64	98,035,936.21
Excess (or deficit) of income over expenditures	157,320.00	(7,285,299.39)	(16,998,931.98)	(9,684,954.79)
Add surplus at beginning of fiscal year	³ 9,672,850.60	51,127,288.87	⁴ 68,426,220.85	80,111,175.64
Surplus at end of fiscal year	9,830,170.60	³ 44,141,989.48	51,127,288.87	70,426,220.85

¹ Figures as originally estimated, subsequent changes not considered.

² Does not include coconut-oil excise tax.

³ Figures do not agree, as the one for 1941 is "estimated" and that for 1940, "actual."

⁴ Decreased by ₱2,000,000, the amount returned to the coconut-oil excise-tax fund as replenishment of appropriation under Commonwealth Act 125.

The 1941 budget is explained in some detail in the following excerpt from the budget message of the President of the Philippines:

I have the honor to submit herewith the national budget for the fiscal year ending June 30, 1941. This budget excludes the income accruing to, and the expenditures chargeable against, the collections derived from the coconut-oil excise tax in the United States, which will be dealt with separately in another special message.

As you will note in this budget, the total revenue collections realized during the 6-month fiscal period which ended June 30, 1939, amounted to a total of ₱48,609,573.66. Adding to this sum the total amount of revenues collected during the 6 months immediately preceding the said fiscal period, which amounted to ₱42,038,823.90, there was realized during the 12-month period from July 1, 1938, to June 30, 1939, a total revenue collection amounting to ₱90,648,397.56. For the fiscal year ending June 30, 1940, it is estimated that the total revenue collections will reach the sum of ₱97,061,880, including the amount of ₱9,625,230, which the Philippine National Bank recently paid to the National Government as a refund on account of fixed deposits previously written off. During the 12-month period from July 1, 1938, to June 30, 1939, no income was realized from this source. Excluding this refund, therefore, the total estimated collections for the fiscal year ending June 30, 1940, amount to ₱87,436,650, which is less by ₱3,211,747.56 than those realized during the 12-month period ended June 30, 1939, although from July 1 to December 31, 1939, the actual collections were ₱4,834,055.98 over the estimated collections for the same period.

For the coming fiscal year ending June 30, 1941, the total collections are estimated at ₱91,178,150, including the sum of ₱3,500,000 which is expected to be received from the Philippine National Bank as a refund on account of fixed deposits previously written off. This leaves a total estimated collection of ₱87,678,150 from the other sources of income, which is only ₱241,500 greater than those estimated for the current fiscal year. It would seem strange that, after the enactment of the new National Internal Revenue Code, the estimates of income accruing to the general fund of the National Government for both the current and coming fiscal years should appear so low. This is explained by the fact that a large portion of the increase in the income from the operation of the new National Internal Revenue Code has been absorbed by an increase in the allotments given to Provinces and municipalities from the internal-revenue tax collections, amounting to about ₱8,000,000 (excluding the residence tax) during the fiscal year 1941, as compared with only ₱3,164,083.53 during the 12-month period from July 1, 1938, to June 30, 1939, or an increase of about ₱4,900,000; and the remainder of said increase has served to offset an estimated decrease in customs collections due to war conditions in Europe and other parts of the world.

The 1941 budget proposes a total appropriation of ₱89,149,130 for the ordinary or recurring expenditures, of which ₱79,782,950 is for the operating expenses of the different departments, bureaus, and offices of the Government and ₱9,366,180 is for fixed expenditures required by existing laws, mostly for the amortization of, and interest on, the public debt, and for retirement gratuities, pensions, and contributions to the Government service insurance system. This allows an excess of total estimated ordinary income over the total estimated ordinary expenditures of ₱2,029,020, the amount of margin which is deemed necessary to take care of other urgent and vital public needs and to insure at the same time the keeping of the budget constantly in balance.

The estimated balance of the unappropriated surplus in the general fund on June 30, 1940, is ₱9,672,850.60. This amount, plus the estimated excess of the income over the expenditures for the fiscal year 1941, minus the amount of ₱1,871,700 for the extraordinary expenditures provided in the 1941 budget which are chargeable directly against the accumulated surplus, will give a net unappropriated surplus of ₱9,830,170.60 at the end of the fiscal year 1941. Of this amount, however, about ₱6,000,000 consists of continuing assets which are not cash and, therefore, not available for appropriation, and about ₱2,000,000 is being utilized as working funds of disbursing officers in the different bureaus and offices and for cashing money orders in the Bureau of Posts, thus leaving an unallocated part of said surplus of only ₱1,830,170.60.

It should be stated, however, that in order to arrive at the figures above-mentioned, it was necessary to reduce the proposed appropriations for ordinary expenditures for the coming fiscal year to the extent of ₱2,370,940 as compared with the authorized appropriations for the same purposes for the current fiscal year. This reduction is the result of the following operation:

DECREASES

Philippine Army-----		₱1, 156, 788
Sundry expenses:		
Traveling expenses of personnel----	₱46, 039	
Illumination and power service-----	3, 320	
Printing and binding reports, documents, and publications-----	9, 750	
Contributions and gratuities-----	29, 150	
Maintenance and repair of equipments-----	45, 200	
	<hr/>	₱133, 459
Less the following increases:		
Freight, express, and delivery service--	₱2, 140	
Postal, telegraph, telephone, cable, and radio service-----	12, 440	
Rental of buildings and grounds----	21, 860	
Consumption of supplies and materials-----	3, 220	
Traveling expenses of persons not Government employees-----	9, 345	
Other services-----	36, 385	
	<hr/>	85, 390
		<hr/>
		48, 069
Fixed expenditures:		
Amortization of, and interest on, the public debt-----	230, 830	
Retirement gratuities, pensions, and contributions to the Government service insurance system-----	5, 570	
	<hr/>	236, 400
Additional forced savings:		
Office of the President-----	₱56, 920	
Department of the Interior-----	18, 500	
Department of Finance-----	139, 140	
Department of Justice-----	355, 730	
Department of Agriculture and Commerce----	321, 100	
Department of Public Works and Communications-----	379, 207	
Department of Public Instruction-----	785, 370	
Department of Labor-----	46, 590	
Department of National Defense-----	38, 288	
General Auditing Office-----	93, 670	
Supreme Court-----	15, 480	
Court of Appeals-----	12, 240	
	<hr/>	2, 262, 235
Total decreases-----		<hr/>
		3, 703, 492

INCREASES

Salaries and wages:	
Creation of 447 positions-----	₱428, 940
New lump-sum items-----	62, 640
Increases of items-----	111, 883
Positions provided with full year's salaries (previously provided with salaries for 6, 8, or 9 months)----	298, 605

INCREASES—continued

Salaries and wages—Continued.

Transfer of 7 positions from special funds.....	₱6, 420	
Total.....	908, 488	
Less:		
Abolition of 181 positions.....	70, 596	
Elimination of lump-sum items.....	1, 200	
Reduction of items.....	34, 330	
Transfer of 9 positions to special funds.....	7, 140	
Total.....	113, 266	
		₱795, 222
Special purposes.....		330, 702
Purchase of furniture and equipment.....		58, 148
Contingent fund.....		118, 870
Expenditures from receipts automatically appropriated.....		29, 610
Total increases.....		₱1, 332, 552
Net reduction.....		2, 370, 940

It has not been possible to provide in the 1941 budget the adjustments in the salary rates for Government employees in accordance with the salary standardization authorized under Commonwealth Act No. 402, as promulgated in Executive Order No. 244 of December 31, 1939, in view of the fact that the different bureaus and offices have not yet completed the revision of the plantillas of their personnel as affected by the said salary standardization. I am, therefore, proposing in this budget the same provision contained in the general appropriation act for the current fiscal year, which allows through administrative action the adjustment of the salary rates necessitated by the salary standardization, and authorizes the President to use for that purpose the savings from the authorized appropriations and from any excess of the actual collections over the estimated revenues.

The following are the salient changes proposed in this budget for the appropriations of the Government:

1. The exigencies of the service so requiring, a total of 447 new positions, involving an outlay of ₱428,940 for salaries, are being created. However, except in the case of positions the salaries of which are chargeable against revolving and other special funds and that of one technical assistant and secretary to the Vice President at ₱7,200 per annum, where the resulting increase in the appropriation for salaries in any bureau or office could not be covered by an equal or greater amount of reduction in the other salary items for the same bureau or office, the appropriation for new positions has been offset by a corresponding increase in the forced savings imposed on the Department concerned.

2. A small appropriation, amounting to ₱2,710, has been provided for the much-needed personnel for, and sundry expenses of, the Civil Service Board of Appeals.

3. An additional appropriation of ₱17,460 for salaries has also been provided for the Bureau of Civil Service for the creation of new positions of seven attorneys and one messenger which are needed to enable it to expedite action on the numerous administrative cases submitted to it for decision.

4. The appropriation for the Office of the Resident Commissioner to the United States has been increased from ₱176,720 to ₱282,000 to enable it to discharge efficiently the expanded activities and the new functions that the said Office is now required to perform.

5. New positions have been provided for the personnel to form the complement of the newly constructed launch of the Department of Finance, which will be turned over to the Department of Agriculture and Commerce for the use of its Division of Fisheries in connection with the promotion of the fish resources and the enforcement of the fishing laws.

6. The police and guard personnel of the port of Manila and of all the subports, including those pertaining to the Manila port terminal, have been consolidated into a separate unit in the Bureau of Customs, in order to secure and maintain a high degree of efficiency in the vigilance services of the ports. The arrangement has entailed an additional expense of ₱37,750, mostly for the creation of new positions of officers and for increasing the salary rates of the patrolmen.

7. An appropriation of ₱1,000,000 is provided for the acquisition of new revenue cutters and necessary customs launches, which are needed for a more effective enforcement of the customs laws and regulations, including the equipment and the initial expenses of operation and maintenance of the same.

8. The amount of ₱50,000 has been provided as aid for the administrative expenses of the city of Tagaytay.

9. The appropriation of the Bureau of Commerce for salaries and wages is being substantially increased to enable it to establish a new division that could properly handle matters that concern the foreign trade of the Philippines and to improve the existing services of the Bureau for the promotion of the domestic trade.

10. The Department of Public Works and Communications is being authorized to use its appropriation for consumption of supplies and materials for the construction of model houses of light materials available locally and the distribution of plans and specifications thereof to people that may need them. This new service aims to place at the disposal of the different communities the facilities for constructing better and more sanitary homes.

11. The appropriation under the Department of Public Works and Communications for the maintenance of public buildings has been increased from ₱400,000 to ₱450,000 in order to provide a sum not exceeding ₱100,000 for repairs of Provincial stations, barracks, and officers' quarters of the Philippine Constabulary.

12. The appropriation for the operation and maintenance of the public primary schools has been increased from ₱21,691,150, the total amount which has been authorized for the current fiscal year by Commonwealth Acts Nos. 446, 467, 493, and 509, to ₱21,971,510 (notwithstanding the reduction of nonrecurring items for textbooks and equipment for newly established classes amounting to ₱1,513,381), in order (1) to provide the full amount for the maintenance of the primary classes in Manila and Baguio by the National Government, (2) to increase the allotment for rental of school buildings in localities where no Government buildings are available for primary classes, and (3) to restore the entrance salary rates of teachers who are graduates of the Philippine Normal School and the provincial normal schools. These different outlays amount to ₱1,031,875, ₱193,866, and ₱568,000, respectively, or a total of ₱1,793,741.

13. The two items of appropriation for the operation and maintenance of regional agricultural schools of the type of the Central Luzon Agricultural School and of the trade schools of the type of the Philippine School of Arts and Trades, which were established in accordance with the provisions of Commonwealth Act No. 313, have been increased by slightly over ₱50,000 each, to enable the introduction of improvements which are necessary for their full development.

14. In the General Appropriation Act for the current fiscal year, appropriations were authorized for aid to special schools in different provinces of the Philippines and to elementary schools in the friar lands estates, as well as for educational purposes in specially organized Provinces. It has been found that in many cases the aid provided from the above-mentioned appropriations is being used by the local governments concerned for the maintenance of regular intermediate classes. In view of the policy laid down by Commonwealth Act No. 381, which placed the responsibility on chartered cities, municipalities, and municipal districts for the support of their intermediate classes, and in view also of the fact that the operation of the new National Internal Revenue Code will produce a greatly increased income for the local governments, it is deemed proper that a thorough revision of the policy governing the granting of the said aid be made. To this end, the items for special schools and for elementary schools in friar lands estates have been lumped together, and the allotment of the combined appropriation is placed at the discretion of the Secretary of Public Instruction, subject to the approval of the President. The proposed arrangement would make possible a reexamination of the financial condition of the different chartered cities, municipalities, and municipal districts that heretofore have been receiving aid from the aforesaid appropriations, with a view to limiting the amounts of future aid from the National Government to the actual deficiencies in the local funds for the support of the intermediate classes in said localities. Likewise, the several items of aid for

educational purposes for the specially organized Provinces have been lumped together, and the allotment of the consolidated appropriation has also been placed at the discretion of the Secretary of Public Instruction, subject to the approval of the President.

15. The aid for the operation of agricultural, farm, and trade schools maintained by local governments has been increased from ₱33,500 to ₱90,000 in order to permit the operation of these vocational schools on the same standard prevailing prior to the reduction of the aid given to them previously by the National Government.

16. The aid to specially organized Provinces for health purposes has been lumped together for a better coordination and control of the expenditures.

17. The appropriation of the Bureau of Health for malaria control has been increased from ₱80,000 to ₱191,700, in order to provide for a more extensive and intensive campaign for the control and eradication of malaria.

18. The necessary appropriations for the proper operation and maintenance of the services under the newly created Department of National Defense have been provided.

19. The appropriations for the Philippine Army and the Philippine Constabulary have been consolidated, and the combined total appropriation has been reduced to ₱16,302,800, thereby effecting a reduction of ₱1,156,788.

20. The appropriations for the personnel of the Department of the Interior, the Department of Agriculture and Commerce, and the Department of Labor are provided in this budget, in conformity with the reorganization of said Departments effected pursuant to Commonwealth Act No. 453.

21. The contingent fund has been increased from ₱831,000 to ₱950,000, in view of the greatly increased forced savings from the appropriations of the different departments imposed in the budget.

The total appropriations proposed in the 1941 budget, including the items for extraordinary expenditures, are for the following purposes:

Purpose	Amount	Percentage
1. For public education, which includes the expenses for the operation and maintenance of primary, vocational, and special schools and classes, the University of the Philippines, and the administrative expenses of the Bureau of Education	<i>Pesos</i> 29,572,750	32.49
2. For the national defense, including the expenses of the Philippine Constabulary	16,310,000	17.93
3. For the sinking funds and interest on the public debt of the National Government	7,827,980	8.61
4. For the protection of public health, including the expenses of the Bureau of Health and those for the control and eradication of malaria, tuberculosis, and other diseases; the establishment, operation, maintenance, extension, and improvement of hospitals and public dispensaries	5,951,440	6.53
5. For the operating expenses of industrial and commercial units, including those of the Bureau of Posts, the Bureau of the Treasury, and the Division of Purchase and Supply	4,489,120	4.94
6. For executive direction and control, which includes the expenses of the Office of the President, the Secretaries of Departments, the Resident Commissioner to the United States, the General Auditing Office, the Bureau of Civil Service, the Budget Commission, and the Bureau of Public Works	5,582,630	6.12
7. For the administration of justice, including the expenses of the Supreme Court, the Court of Appeals, the Courts of First Instance, and the Justice of the Peace Courts	4,138,280	4.55
8. For the revenue-collection services, including the expenses of the Bureau of Internal Revenue and the Bureau of Customs	4,666,560	5.13
9. For the development of agriculture, including the expenses of the Bureaus of Plant Industry, Animal Industry, and Lands	2,364,320	2.60
10. For the maintenance of law and order, including the expenses of the Bureau of Justice but excluding those of the Philippine Constabulary	805,260	.88
11. For the development of Commerce, the Bureau of Aeronautics, and the Bureau of Coast and Geodetic Survey	838,190	.92
12. For legislation (National Assembly)	1,860,390	2.04
13. For the conservation and utilization of the natural resources, including the expenses of the Bureau of Forestry and the Bureau of Mines	1,193,650	1.31
14. For the maintenance of prisoners under the Bureau of Prisons and other correctional institutions	1,051,590	1.15
15. For other purposes, including the expenses of the Philippine Sugar Administration, the Securities and Exchange Commission, the Court of Industrial Relations; those for the development and promotion of arts and science, the regulation of public services, public charity, protection and relief from public calamities, etc.	4,368,670	4.80
Total	91,020,830	100.00

For your information, and as a further step toward making the annual budget a complete statement of the financial position of the Government, I have appended to this budget the balance sheets of the various Government owned and controlled corporations for the last fiscal year.

The finances of the National Government remain in a sound condition. The national budget is securely balanced. However, this sound condition has been accomplished largely by means of forced economies in the appropriations for ordinary expenditures. Moreover, I wish to call your attention to the reduction of the accumulated surplus in the general fund, which, on June 30, 1939, was ₱31,114,818.34, and by June 30, 1941, will be only ₱9,830,170.60. This situation demands the exercise of caution in authorizing new appropriations chargeable against the excess of estimated income over authorized ordinary expenditures or which would further cut into the accumulated surplus.

GENERAL APPROPRIATION ACT FOR FISCAL YEAR 1941

The 1941 budget, with certain changes, became Commonwealth Act 555, approved June 6, 1940. This act carried a total appropriation of ₱80,542,370 and compares with that of ₱73,741,947 (exclusive of the amount of ₱699,410 from coconut-oil excise tax), the total of the General Appropriation Act for 1940, Commonwealth Act 446, an increase of 9 percent. Neither of the figures includes fixed charges, such as retirement gratuities under Acts 1259, 2589, 4051, 4151, Commonwealth Acts 331 and 350, interest and sinking funds on public debt, etc., which were estimated at ₱9,366,180 for 1941 and ₱9,602,580 as revised for 1940.

OTHER APPROPRIATIONS ACTS

In addition to the appropriation acts affecting the general budget and the coconut-oil excise-tax budgets, the following measures carrying appropriations were enacted.²⁶

Act No.	Particulars	Appropriations
492	Approved Sept. 19, 1939, submitting to the Filipino people for approval or disapproval the amendments to the Constitution and appropriating funds therefor.....	<i>Pesos</i> 350,000
493	Approved Sept. 30, 1939, appropriating funds for public primary classes.....	2,550,000
496	Approved Sept. 30, 1939, authorizing the President of the Philippines in emergency cases to take over, for use or operation by the Government, any public service or enterprise and appropriating the necessary funds therefor.....	2,000,000
498	Approved Sept. 30, 1939, declaring, in view of the existence of a national emergency, a national policy in connection therewith, etc., and appropriating funds therefor.....	10,000,000
501	Approved Sept. 30, 1939, appropriating funds for the adjustments of personnel and other changes in the Department of Labor (Commonwealth Act 453).....	100,000
504	Approved Oct. 16, 1939, creating additional positions of judges for cadastral cases, etc., and appropriating funds therefor.....	150,000
509	Approved Nov. 10, 1939, appropriating additional funds for public primary classes.....	1,371,150
513	Approved Feb. 8, 1940, appropriating funds to be advanced to municipalities and municipal districts for maintenance and operation of intermediate schools.....	500,000
517	Approved Apr. 25, 1940, submitting to the Filipino people for approval or disapproval the amendments to the Constitution and appropriating funds therefor.....	400,000
518	Approved May 7, 1940, establishing the National Coconut Corporation and appropriating funds therefor (from coconut-oil tax) not to exceed ₱20,000,000, ₱2,000,000 appropriated upon approval of this act.....	1,200,000
519	Approved May 7, 1940, establishing the National Tobacco Corporation and appropriating funds therefor (from coconut-oil tax) not to exceed ₱10,000,000, ₱2,000,000 appropriated upon approval of this act.....	1,200,000
528	Approved May 11, 1940, authorizing the issue of bonds by the Philippine Government, the proceeds of sale of which will be used to purchase an equivalent amount of bonds of the Metropolitan Water District for further extension of water supply and sewerage systems.....	Indefinite
532	Approved May 26, 1940, fixing the salary of the Auditor General at ₱15,000 from ₱12,000 per annum. Difference.....	3,000

¹ From coconut-oil excise-tax fund. For additional information concerning these appropriations see table on p. 23 and related comments on pp. 16 to 23 of this report.

²⁶ The section of this report devoted to legislation describes in detail all acts passed by the National Assembly, giving dates of approval and dates when effective.

Act No.	Particulars	Appropriations
536	Approved May 26, 1940, providing for retirement of justices of the Supreme Court and making appropriation for payment of a retirement gratuity	<i>Pesos</i> Indefinite
539	Approved May 26, 1940, authorizing the President of the Philippines to purchase landed estates, etc., and the issuance of bonds for the payment of the estates in an amount not exceeding	20,000,000
543	Approved May 26, 1940, increasing the assistants to the Solicitor General and appropriating funds therefor	9,000
544	Approved May 26, 1940, creating 8 positions of district attorneys and appropriating funds therefor	90,000
545	Approved May 26, 1940, increasing the number of judges of first instance, etc., and appropriating the necessary funds	150,000
549	Approved May 26, 1940, creating the position of Deputy Commissioner of the Budget, at ₱9,000 per annum, and appropriating the funds therefor (from savings in the General Appropriation Acts for 1940 and 1941 for the Office of the President of the Philippines)	9,000
559	Approved June 7, 1940, creating additional positions of associate judges of the Court of Industrial Relations, etc., and appropriating funds therefor	60,000
565	Approved June 7, 1940, providing for organization of cooperative associations, etc., and setting aside for the purpose a portion of the fund appropriated under Commonwealth Act 498	Indefinite
566	Approved June 7, 1940, appropriating funds for certain public works	6,100,000

REVENUE ACTS

Acts affecting directly Government revenues are described below. Act 512, requiring the approval of the President of the United States, was passed by the National Assembly during its first session, January 23 to May 18, 1939, but was not finally approved by the President until sometime in December 1939.

Act 512, approved by the President of the United States December 22, 1939, repealing paragraph 349 of section 11 of the Philippine Tariff Act of 1909 and amending section 14 thereof for the purpose of raising revenue.

Act 516, approved April 18, 1940, amending the National Internal Revenue Code so as to exempt citizens of the United States residing in the Philippines from payment of income tax on their compensation received from the United States Government, etc.

Act 523, approved May 10, 1940, amending the National Internal Revenue Code so as to exempt from insurance tax those premiums collected by any branch of a domestic firm doing business outside the Philippines if a percentage tax is imposed by the foreign country in which the branch is located.

Act 524, approved May 10, 1940, amended Act 464 by setting a new time limit for the payment of taxes on forfeited real property.

Act 525, approved May 10, 1940, amended the National Internal Revenue Code by taxing the excess amount over the selling price of ₱2,500 of an automobile.

Act 526, approved May 10, 1940, amended the National Internal Revenue Code by requiring merchants whose sales exceed ₱20,000 annually to issue an invoice for each sale.

Act 530, approved May 11, 1940, requiring owners of real property to file a sworn statement as to the real value thereof, etc.

Act 534, approved May 26, 1940, declaring ineffective the reduction in Act 470 of assessed value of all permanent plants or trees on any taxable real estate by 50 percent.

Act 556, approved June 7, 1940, making the registration fees for trucks payable in two equal annual installments.

Act 557, approved June 7, 1940, amending the residence tax law by providing additional exemptions from the payment thereof.

Act 567, approved June 7, 1940, to adjust and stabilize the sugar industry and to raise revenue for the purpose.

FINANCIAL STATEMENTS

The various financial statements included in the third Annual Report of the United States High Commissioner covered financial data for the calendar years 1937 and 1938 and the fiscal year 1939. The corresponding data in the present report cover the periods July 1, 1938, to June 30, 1939,²⁷ or January 1 to June 30, 1939, and July 1, 1939, to June 30, 1940.

Table 21 compares appropriations with disbursements from the general fund. The total appropriations of the National Government, including unexpended balances of continuous appropriations enacted in previous years, amounted to ₱265,725,405.82 in the fiscal year 1940 (July 1, 1939, to June 30, 1940); ₱222,138,727.43 in the fiscal year 1939 (January 1 to June 30); and ₱274,991,479.99 in the fiscal year 1938 (January 1 to December 31). The total authorized current appropriations for each year were as follows: 1940 (12 months), ₱123,890,707.47; 1939 (6 months), ₱80,265,742.33; and 1938 (12 months), ₱250,205,299.15. It appears that both the total appropriations and the total current appropriations applicable to the fiscal year 1940 were less than in the 2 previous years, considering that the figures for 1939 were only for a 6-month period. The decrease was largely due to a reduction of appropriations for public works, from ₱99,501,300 in 1938 to ₱5,680,000 in 1939, and to a negative figure of ₱7,840,000 in 1940. The sharp decline is explained by the fact that the public works appropriation in 1938, mostly from coconut-oil tax, covered a 4-year program of public works, whereas the subsequent appropriations were only for a shorter time. In addition, the public works appropriations then outstanding were reduced ₱7,840,000 in order to bring the public works appropriations from coconut-oil tax within the estimated income, pursuant to the provisions of Commonwealth Act 521.

It is noted that in recent years the Commonwealth has appropriated sums greatly in excess of the amounts available for expenditure. A large part of the appropriations are continuing appropriations for public works, which, if not expended in one year, do not revert to the Treasury but remain available for expenditure in subsequent years. To ensure that such excess appropriations will not exhaust funds necessary for the ordinary operating expenses of the Government, the executive branch of the Government is given broad powers to determine when or whether such expenditures may be made. Some appropriation acts carry the provision that no expenditures under the act shall be made until the Secretary of Finance or the Auditor General shall have certified that funds are available, and until the President of the Philippines shall have approved the release; and some are otherwise conditioned on the approval of the President of the Philippines. Consequently, some of the acts may well be described as "conditional" or "contingent" appropriations.

²⁷ In a few cases a prior period is used for comparative purposes.

TABLE 21.—*Appropriations and disbursements of the general fund for the fiscal years 1938, 1939, and 1940*¹

Details	1939-40 (July-June)	1939 (January-June)	1938
ANNUAL AUTHORIZATIONS AND DISBURSEMENTS			
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
General appropriations.....	79,224,743.02	42,066,666.33	72,040,141.67
Definite appropriations offset by receipts.....	811,739.72	377,286.45	619,200.40
Public Works appropriations.....	(7,840,000.00)	5,680,000.00	99,501,300.00
Permanent appropriations ²	11,209,334.20	11,026,789.55	12,611,666.35
Investments.....	24,275,000.00	6,000,000.00	36,995,550.50
Other extraordinary expenditures.....	16,209,890.53	15,115,000.00	28,437,440.23
Total current appropriations.....	123,890,707.47	80,265,742.33	250,205,299.15
Add balance of continuous appropriations at the beginning of the period.....	141,834,698.35	141,872,985.10	³ 24,786,180.84
Total.....	265,725,405.82	222,138,727.43	274,991,479.99
Deduct:			
Expenditures under current appropriations.....	123,353,426.44	47,938,136.46	110,328,649.97
Expenditures under continuous appropriations.....	45,771,339.20	31,054,539.89	15,095,841.66
Appropriations transferred to special and other funds.....			4,481,439.28
Total expenditures.....	169,124,765.64	78,992,676.35	129,905,930.91
Excess of appropriations over expenditures.....	96,600,640.18	143,146,051.08	145,085,549.08

¹ Taken from annual reports of the Auditor General.² Includes fixed appropriations such as pensions, retirement gratuities, interest, and sinking funds on public debt, contribution to the Government service insurance system, etc.³ Includes ₱252,429.54 unexpended balance of appropriation for the Philippine Sugar Administration, Act 236, transferred from the special funds, Jan. 1, 1938.

A comparison of the condensed balance sheets of the general fund as of June 30, 1939, and June 30, 1940, appears in table 22. As a result of an operating deficit of ₱37,641,929.335, the accumulated surplus was reduced from ₱137,086,917.565 on June 30, 1939, to ₱99,444,988.23 on June 30, 1940. The surplus of the general fund proper was reduced by ₱7,285,299.395 and the surplus from coconut-oil excise-tax receipts by ₱30,356,629.94.

The large decline in the accumulated current surplus of the coconut-oil excise tax was due partly to heavy expenditures for public works and investments under continuing appropriations and partly to the fact that collections were not transferred promptly from the United States Treasury. The expenditures from this fund during the period covered by this report, totaling over ₱60,000,000, were the heaviest so far incurred.

As of June 30, 1940, the unappropriated current surplus account of the coconut-oil excise tax was overdrawn by ₱20,501,488.13, a decrease of 36 percent from the figure on June 30, 1939. In other words, appropriations of coconut-oil tax funds exceeded by that amount the cash on hand. The excess of appropriations, however, was considerably less than it had been a year earlier, a downward revision of the then-existing appropriations, to conform with the terms of the act of the United States Congress of August 7, 1939, being the cause of the improvement. The unappropriated current surplus of the general fund proper on June 30, 1940, stood at ₱14,109,558.99, which was 41 percent more than on the same date last year.

TABLE 22.—*Statement showing condensed balance sheets of the general fund as of June 30, 1939 and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:		
Cash:	<i>Pesos</i>	<i>Pesos</i>
General fund proper.....	70, 707, 608. 845	72, 146, 040. 485
Coconut oil excise tax.....	55, 302, 998. 75	85, 659, 628. 69
	126, 010, 607. 595	157, 805, 669. 175
Other current assets:		
General fund proper.....	7, 745, 621. 765	4, 691, 320. 83
Coconut oil excise tax.....		
	7, 745, 621. 765	4, 691, 320. 83
Deferred charges ²	697, 601. 27	319, 544. 67
Total assets:		
General fund proper.....	79, 150, 831. 88	77, 156, 905. 985
Coconut oil excise tax.....	55, 302, 998. 75	85, 659, 628. 69
	134, 453, 830. 63	162, 816, 534. 675
Liabilities and surplus:		
Current liabilities	34, 308, 997. 68	25, 326, 215. 87
Deferred credits ³	699, 844. 72	403, 401. 24
Total liabilities	35, 008, 842. 40	25, 729, 617. 11
Released appropriated current surplus:		
General fund proper.....	10, 138, 728. 83	16, 607, 417. 91
Coconut oil excise tax.....	30, 978, 234. 54	41, 357, 457. 25
	41, 116, 963. 37	57, 964, 875. 16
Unreleased appropriated current surplus:		
General fund proper.....	2, 796, 469. 56	7, 387, 771. 64
Coconut oil excise tax.....	44, 826, 252. 34	76, 482, 051. 55
	47, 622, 721. 90	83, 869, 823. 19
Unappropriated current surplus:		
General fund proper.....	14, 109, 558. 99	9, 984, 700. 915
Coconut oil excise tax.....	(20, 501, 483. 13)	(32, 179, 880. 11)
	(6, 391, 929. 14)	(22, 195, 179. 195)
Reserve for determined losses	359, 905. 67	363, 705. 63
Reserve for government center	9, 355, 988. 39	9, 665, 666. 11
Advances to money order fund	5, 880, 382. 78	5, 929, 429. 30
Advances to irrigation fund	1, 500, 955. 26	1, 488, 597. 37
Total current surplus:		
General fund proper.....	44, 141, 989. 48	51, 427, 288. 875
Coconut oil excise tax.....	55, 302, 998. 75	85, 659, 628. 69
	99, 444, 988. 23	137, 086, 917. 565
Total liabilities and surplus:		
General fund proper.....	79, 150, 831. 88	77, 156, 905. 985
Coconut oil excise tax.....	55, 302, 998. 75	85, 659, 628. 69
	134, 453, 830. 63	162, 816, 534. 675

¹ Taken from reports of the Auditor General.² Deferred charges consist of: Prepayments; deposits for drums, containers, etc.; determined losses.³ Deferred credits consist of: Deferred credits to income; undistributed collections; deposited collections not yet covered by abstracts.

Table 23 shows total receipts in the general fund of the National Government at ₱131,482,836,305 for the period from July 1, 1939 to June 30, 1940, as compared with ₱132,552,011.49 for the preceding 12 months. Net revenue from taxes for the period under review accruing to the general fund was ₱75,877,764.63 and compares with ₱72,686,901.26 for July 1, 1938 to June 30, 1939. Substantial increases in receipts from import duties, license and business taxes, and excise taxes were largely responsible for the increase. Import

duties, amounting to ₱24,976,043.86, and license and business taxes, amounting to ₱24,387,468.98, increased ₱4,265,042.79 and ₱2,778,787.51, respectively, over collections for the 12-month period ending June 30, 1939. It is believed that these increases were principally due to the enforcement, effective July 1, 1939, of the National Internal Revenue Code, Commonwealth Act 466. On the other hand, income tax collections at ₱11,533,763.63 showed a decrease of ₱2,860,085.27. This was attributed primarily to a change in the collection period of this tax. Whereas income tax payments formerly were due on June 15, Commonwealth Act 466 provided that payments were to be due in two installments, on May 15 and August 15, respectively. Largely as a result of a repayment of ₱9,460,653.71 by the Philippine National Bank under the Rehabilitation Act "Other revenues and transfers in" were substantially greater than in the 1938-39 period.

It will be noted that coconut oil excise tax collections transferred from the United States in the fiscal year 1940 amounted to only ₱28,538,184.12 as compared with ₱40,710,911.30 in the preceding period. These figures are the amounts transferred to, or taken up in, the books of the Treasurer of the Philippines and do not represent a decrease of collections. The 1939-40 figure comprises collections from March 1, 1939, to December 31, 1939, or 10 months, whereas the 1938-39 figure comprises collections from December 1, 1937, to February 28, 1939, or 15 months. In the fiscal year 1940 such transfers accounted for 22 percent of the total income of the general fund and in the preceding period 31 percent.

Disbursements from the general fund during the fiscal year 1940, were ₱169,124,765.64. This is ₱28,400,245.79, or 20 percent more than disbursements during the preceding 12 months. Outlays and investments increased about 20 million pesos; other administrative disbursements, 17 million; public works, 5 million; other charges and transfers out, 4 million; and salaries and wages, 2 million. A decrease of approximately 20 million pesos appeared in contributions to local governments.

Investments in Government-owned companies—the largest being that in the Agricultural and Industrial Bank under Commonwealth Act 521—constituted the major portion of the increase in outlays and investments, while expenditures for the construction of public bridges and miscellaneous projects, and transfers to special funds for the University of the Philippines caused large increases in public works and in other charges and transfers out. Salaries and wages advanced as a result of a general expansion of Government activities and increases in salaries. Expenses for operating and maintaining public elementary schools amounting to ₱20,066,228.41, which prior to the nationalization of such schools by Commonwealth Act 381 were recorded as contributions to local governments, were chiefly responsible for the increase in other administrative disbursements. This fact explains, in part, why contributions to local governments showed a substantial drop from the 1938-39 period.

Of total disbursements of ₱169,124,765.64, the sum of ₱108,867,195.16 was from the general fund proper and the balance, ₱60,257,570.48, from coconut oil excise tax receipts. The former was 3 percent and the latter 72 percent greater than the corresponding figures in the preceding 12 months. The 72 percent increase in ex-

penditures from coconut oil tax receipts was due chiefly to investments in Government-owned corporations. Of the total expenditures from the general fund proper, ₱18,283,573.33 was for national defense. Such expenditures for previous years amounted to ₱10,825,800.93 for the fiscal year 1939 comprising 6 months; ₱19,107,056.68 for 1938; ₱16,198,275.96 for 1937; and ₱10,716,476.78 for 1936. In addition, small amounts, not more than ₱370,000.00, were paid each year except 1936 from other funds. Of the total expenditures from coconut oil excise tax receipts for the 1938-39 period, ₱10,000,000.00 was used to replenish the general fund proper for the purchase of additional stock of the National Development Co. in January 1938.

The increase in expenditures classified as "Outlays and investments" has been one of the most outstanding developments since the establishment of the Commonwealth. Expenditures under this classification are taken up in an asset classification captioned "Permanent and long term investments" in the capital balance sheet of the Auditor General's reports. On November 14, 1935, "Permanent and long-term investments" approximated 90 millions of pesos; on June 30, 1940, the account approximated 186 millions of pesos, or an increase of 106 percent in 4½ years. Approximately 166 of the 186 million represents loans and advances to, investments in, and subscription to the capital stock of Government-owned corporations and other Government Government entities. The remainder comprised mostly investments in United States bonds, Philippine Railway bonds, and Friar Land and San Lazaro estates. The large increase in these accounts during the period was made possible by the availability of the coconut oil excise tax funds.

Another asset account which showed a great increase during the same period, that is, in 4½ years, is that of "Public works." On November 14, 1935, the value of the public works projects completed by the National Government stood at over 133 million pesos. The amount rose to 138 million in 1936, to 146 million in 1937, to 154 million in 1938, to 165 million up to June 30, 1939, and to 190 million up to June 30, 1940. Expenditures for public works increased greatly after coconut oil tax funds became available to the Philippines.

The annual expenditures for public works, both for maintenance and construction, including grants to chartered cities, provinces and municipalities for the same purpose, from 1935 to June 30, 1940 are shown below. These items do not include minor expenditures for public works which cannot be segregated from other items.

Public works expenditures

Year	National Government	Cities, provinces, and municipalities (grants)	Total
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
1935 calendar.....	5,832,801.78	10,148,529.10	15,981,330.88
1936 calendar.....	5,414,228.98	11,650,236.83	17,064,465.81
1937 calendar.....	10,421,918.25	16,414,089.39	26,836,007.64
1938 calendar.....	12,953,975.95	16,725,485.95	29,679,461.90
1939 (January-June).....	11,699,123.03	958,307.63	12,657,430.66
1940 (July 1939-June 1940).....	32,754,516.54	6,872,703.65	39,627,220.19

The net result of the operations of the general fund for the fiscal year 1940 showed a deficit, that is, an excess of disbursements over receipts, in the amount of ₱37,641,929.335 (general fund proper,

₱6,785,299.395; coconut oil excise tax, ₱30,856,629.94) and compares with a similar deficit of ₱8,172,508.36 (general fund proper, negative, ₱14,989,658.93; coconut oil excise tax, positive, ₱6,817,150.57) for the period from July 1, 1938 to June 30, 1939. It should be noted, however, that expenditures from the general fund during the 1939-40 period were not all directly chargeable against the current income of that year. ₱45,771,339.20 (general fund proper, ₱13,083,309.33; coconut oil excise tax, ₱32,688,029.87) were expended under continuing appropriations and, from one point of view, might be considered chargeable to the surplus accumulated from previous years. If these continuing items are eliminated, the operating expenses of the general fund fall within the current income.

TABLE 23.—Statement showing actual receipts and disbursements, or result of operations in the general fund for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940 ¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
RESULT OF OPERATIONS		
Actual receipts:	<i>Pesos</i>	<i>Pesos</i>
Import duties	24,976,043.86	20,711,001.07
Excise tax	17,356,035.30	15,789,424.36
License and business tax	24,387,468.98	21,608,681.47
Income tax	11,533,763.63	14,393,848.90
Other revenue from taxation	3,523,301.46	3,348,028.99
Total revenue from taxation	81,776,613.23	75,850,984.79
Less internal revenue returned to local governments (sec. 491, act 2711)	5,898,848.60	3,164,083.53
Net revenue from taxation	75,877,764.63	72,686,901.26
Coconut oil excise tax:		
Collections transferred from United States	28,538,184.12	40,710,911.30
Interest on deposits in United States	862,756.42	1,192,702.63
Other United States internal revenue received	946,539.11	1,100,722.65
Other revenues and transfers in ²	25,257,592.025	16,860,773.65
Total receipts	131,482,836.305	132,552,011.49
General fund proper	102,081,895.765	90,648,397.56
Coconut oil excise tax	29,400,940.54	41,903,613.93
Actual disbursements:		
Salaries and wages	40,681,811.96	38,897,227.59
Other administrative disbursements	37,448,454.48	20,164,551.80
Contributions to local governments	2,480,280.83	22,309,126.64
Pensions and gratuities	1,659,566.96	2,132,330.74
Outlays and investments	43,631,531.09	23,549,310.54
Public debt service	8,290,593.99	8,242,753.13
Public works	27,285,383.93	22,327,992.00
Other charges and transfers out ²	7,647,142.40	3,101,227.41
Total disbursements	169,124,765.64	140,724,519.85
General fund proper	108,867,195.16	105,638,056.49
Coconut oil excise tax	60,257,570.48	35,086,463.36
Excess of receipts over disbursements	(37,641,929.335)	(8,172,508.36)
General fund proper	(6,785,299.395)	(14,989,658.93)
Coconut oil excise tax	(30,856,629.94)	6,817,150.57

¹ Taken from reports of the Auditor General.

² "*" * "transfers in" and "*" * "transfers out" refer to transfers between funds of the National Government.

A comparison of the cash position of the general fund on June 30, 1939 and June 30, 1940 is shown in table 24. The cash position is computed as the excess of cash over current liabilities, deferred credits, continuing appropriations, reserves for determined losses and for construction of the new Government center and advances to the

money order fund and the irrigation fund. On this basis, the cash position improved from a negative figure of ₱27,206,044.695 on June 30, 1939, to a negative figure of ₱14,835,152.175 on June 30, 1940. The negative figures were mainly due to an excess of continuing appropriations from the coconut oil excise tax fund over cash available therefor.

In the general fund proper the positive balance increased from ₱4,973,835.415 on June 30, 1939, to ₱5,666,335.955 on June 30, 1940. It is noted, however, that substantial amounts of coconut oil tax funds were transferred to the general fund proper. On October 30, 1937, ₱26,840,000 (subsequently reduced by a reversion of ₱2,000,000 in June 1939 and ₱500,000 in May 1940 to the coconut oil tax fund) and in December 1939 ₱10,000,000 were transferred from the coconut oil tax fund to replenish the current surplus of the general fund proper. As these transfers were of funds collected prior to January 1, 1939, they did not conflict with provisions of the Philippine Economic Adjustment Act requiring separate budgeting and accounting of collections subsequent to that date.

TABLE 24.—Statement showing cash position of the general fund as of June 30, 1939, and June 30, 1940¹

Details	June 30, 1940	June 30, 1939
CASH POSITION		
Total cash accounts:	<i>Pesos</i>	<i>Pesos</i>
General fund proper.....	70,707,608.845	72,146,040.485
Coconut-oil excise tax.....	55,302,998.75	85,659,628.69
	126,010,607.595	157,805,669.175
Deduct—Total current liabilities and deferred credits.....	35,008,842.40	25,729,617.11
Excess of cash over current liabilities and deferred credits:		
General fund proper.....	35,698,766.445	46,416,423.375
Coconut-oil excise tax.....	55,302,998.75	85,659,628.69
	91,001,765.195	132,076,052.065
Deduct—Continuing appropriations:		
General fund proper.....	12,935,198.39	23,995,189.55
Coconut-oil excise tax.....	75,804,486.88	117,839,508.80
	88,739,685.27	141,834,698.35
Reserve for determined losses.....	359,905.67	363,705.63
Reserve for Government center.....	9,355,688.39	9,665,666.11
Cash advances to money-order fund.....	5,880,382.78	5,929,429.30
Cash advances to irrigation fund.....	1,500,955.26	1,488,597.37
	105,836,917.37	159,282,096.76
Excess of cash over current liabilities, deferred credits, continuing appropriations, reserves for determined losses and Government center, and advances to money-order fund and irrigation fund:		
General fund proper.....	5,666,335.955	4,973,835.415
Coconut-oil excise tax.....	(20,501,488.13)	(32,179,880.11)
	(14,835,152.175)	(27,206,044.695)

¹ Taken from reports of the Auditor General.

Tables 25 and 26 show, respectively, the consolidated balance sheets as of June 30, 1939, and June 30, 1940, and receipts and disbursements for the 12-month period ended June 30, 1939, and the fiscal

year ended June 30, 1940, of the special funds of the Commonwealth Government. These special funds are:

- Agricultural Cooperative.
- Animal Utilization Service.
- Baguio Dwellings and Equipment for Rent.
- Baybay National Agricultural School.
- Bohol Filipino Colony.
- Bukidnon National Agricultural School.
- Bureau of Aeronautics National Airports.
- Bureau of Printing Revolving.
- Bureau of Treasury Land Title Assurance.
- Bureau of Treasury Property Insurance.
- Cadastral Survey.
- Cagayan Filipino Colony.
- Care and Maintenance of Neglected Children.
- Cebu School of Arts and Trades.
- Central Garage Revenue.
- Customs' Highways.
- Customs' Port Works.
- Department of Agriculture and Commerce, Act 3943, Fishing Industry.
- Fiber Inspection Service.
- Fidelity.
- Friar Lands Loan (Agricultural and Industrial Bank).
- Friar Lands Real Estates.
- General Antonio Luna Monument.
- General Gregorio del Pilar Monument.
- Government Marine Railway and Repair Shop.
- Government Tenement Houses.
- Internal Revenue Tobacco Inspection.
- Irrigation.
- Land Title Assurance (Agricultural and Industrial Bank).
- Loan Fund (Agricultural and Industrial Bank).
- Los Baños Quarry.
- Manila Trading Center and Exchange.
- Mess Fund Department of National Defense.
- Mindanao and Sulu Filipino Colony.
- Momunigan Agricultural Colony.
- Municipal Loan (Agricultural and Industrial Bank).
- National Defense Donation.
- National Markets and Water Works Revolving.
- National Produce Exchange.
- National Radio Broadcasting.
- Other Permanent Public Works.
- Permanent Bridges Revolving Fund, Acts 3500 and 3932.
- Permanent Bridges Revolving Fund, Commonwealth Act 112.
- Philippine Livestock Promotion.
- Philippine Normal Hall.
- Philippine School of Arts and Trades.
- Port Work Bureau of Public Works.
- Prison's Act 4012.

Prison's Industrial Revolving.
 Private Surveyors Loan (Agricultural and Industrial Bank).
 Promotion and Development of Industries, Act 3953, Animal Industry.
 Promotion and Development of Industries, Act 3953, Plant Industry.
 Promotion and Development of Industries, Act 3953, Science.
 Property Insurance (Agricultural and Industrial Bank).
 Public Land Subdivision.
 Rent and Sale of Text Books.
 Road and Bridge.
 Salvage Warehouse Revenue.
 San Lazaro Loan (Agricultural and Industrial Bank).
 San Lazaro Real Estates.
 Seed Farm.
 Standardizing Meter Laboratory Revolving.
 Stock Herds and Farm.
 Teachers' Camp Mess Revenue
 Tobacco Plant Industry.
 Triumphal Arch Stamps.
 University of the Philippines.

The increase in the aggregate receipts of the special funds from ₱27,993,304.02 in the 12 months ending June 30, 1939, to ₱34,478,-261.21 during the succeeding 12 months was largely due to transfers from the general fund which were taken up as other revenues and transfers in. Such transfers included ₱3,967,730 for the University of the Philippines, part as annual subsidy and part to cover expenses under Commonwealth Act 442 for the transfer of the institution outside of the city of Manila, and ₱2,000,000 for a revolving fund established under Commonwealth Act 403 for investment in loans to provinces, municipalities and chartered cities. There was also recorded over a million-peso increase in the collection of local excise taxes under the provisions of section 1495 of Act 2711, as amended.

Expenditures from the special funds for the fiscal year ended June 30, 1940, aggregated ₱22,422,735.57 which compares with expenditures of ₱18,043,385.56 for the period July 1, 1938, to June 30, 1939. A general decrease in other items of expenditures was more than offset by a sharp increase in public works expenditures, which were ₱5,074,456.69 higher than in the preceding 12 months. The major portion was expended for the construction, improvement and maintenance of public roads.

The excess of receipts over disbursements in the special funds for fiscal year 1940 was ₱12,055,525.64, whereas the excess for the preceding 12 months was ₱9,949,918.46. The accumulated current surplus increased from ₱52,130,307.35 on June 30, 1939, to ₱64,185,-832.99 on June 30, 1940.

Table 27 concerns the operation of the bonds fund for the 12-month period ended June 30, 1939, and the fiscal year ended June 30, 1940. The bonds fund reflects activities arising from the investment of the proceeds of the financial interests protection bonds issued under Act 2999, as amended, of the Philippine Legislature, amounting to ₱10,156,000. This fund is invested in local bonds and the interest

earned, which aggregates around ₱500,000 annually, constitutes its only source of income. Expenditures from this fund are usually negligible. The excess of receipts over disbursements is automatically reverted to the general fund at the end of each fiscal year.

TABLE 25.—*Condensed balance sheets of the special funds as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	44,410,346.64	39,103,078.40
Other current assets.....	37,651,302.54	35,168,637.96
Deferred charges.....	672,172.67	685,124.44
Total assets.....	82,733,821.85	74,956,840.80
Liabilities and surplus:		
Current liabilities.....	3,599,348.04	6,253,780.00
Deferred credits.....	14,948,640.82	16,572,753.45
Total liabilities.....	18,547,988.86	22,826,533.45
Released appropriated current surplus.....	60,807,159.55	49,306,773.02
Unreleased appropriated current surplus.....	3,331,335.59	2,772,013.85
Unappropriated current surplus.....		
Reserve for determined losses.....	47,337.85	51,520.48
Total current surplus.....	64,185,832.99	52,130,307.35
Total liabilities and surplus.....	82,733,821.85	74,956,840.80

¹ Taken from reports of the Auditor General.

TABLE 26.—*Receipts and disbursements, or result of operations, in the special funds for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
RESULT OF OPERATIONS		
Actual receipts:	<i>Pesos</i>	<i>Pesos</i>
Excise tax (sec. 1495, Act 2711, as amended).....	10,565,069.74	9,253,452.61
License and business tax, etc. (Act 3045, as amended).....	5,103,162.62	5,099,978.05
Wharfage fees (Act 3592, as amended).....	3,569,039.77	3,659,664.52
Total revenue from taxation.....	19,237,272.13	18,013,095.18
Less:		
Motor-vehicle fund apportioned to local governments (Act 3992).....	1,800,000.00	2,026,363.00
Gasoline fund apportioned to local governments (Act 3248).....	1,100,000.00	938,205.00
	2,900,000.00	2,964,568.00
Net revenue from taxation.....	16,337,272.13	15,048,527.18
Other revenues and transfers in.....	18,140,989.08	12,944,776.84
Total receipts.....	34,478,261.21	27,993,304.02
Actual disbursements:		
Salaries and wages.....	4,529,932.27	4,578,804.18
Other administrative disbursements.....	2,919,070.62	2,827,196.95
Contributions to local governments.....	82,670.96	147,600.49
Pensions and gratuities.....	78,819.95	202,736.49
Outlays and investments.....	814,817.45	1,327,184.79
Public-debt service.....	99,116.96	
Public works.....	12,286,901.74	7,212,445.05
Other charges and transfers out.....	1,611,405.62	1,747,417.61
Total disbursements.....	22,422,735.57	18,043,385.56
Excess of receipts over disbursements.....	12,055,525.64	9,949,918.46

¹ Taken from reports of the Auditor General.

TABLE 27.—*Statement showing actual receipts and disbursements, or result of operations, in the bonds fund for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940, together with corresponding condensed balance sheets*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
RESULT OF OPERATIONS		
Actual receipts.....	<i>Pesos</i> 486,912.50	<i>Pesos</i> 472,295.00
Actual disbursements.....	199,626.05	
Excess of receipts over disbursements ²	287,286.45	472,295.00
	June 30, 1940	June 30, 1939
BALANCE SHEET		
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	245,987.62	1,112,629.12
Other current assets.....	9,865,000.00	8,932,000.00
Deferred charges.....	45,012.38	120,962.88
Total assets.....	10,156,000.00	10,165,592.00
Liabilities and surplus:		
Current liabilities.....		9,592.00
Released appropriated current surplus.....	10,156,000.00	10,156,000.00
Unappropriated current surplus.....		
Total current surplus.....	10,156,000.00	10,156,000.00
Total liabilities and surplus.....	10,156,000.00	10,165,592.00

¹ Taken from reports of the Auditor General.

² Automatically reverted to the general fund at the end of the fiscal year.

TABLE 28.—*Condensed balance sheets of the consolidated general, special, and bonds funds as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:		
Cash.....	<i>Pesos</i> 170,666,941.855	<i>Pesos</i> 198,021,376.695
Other current assets.....	55,261,924.305	48,791,958.79
Deferred charges.....	1,414,786.32	1,125,631.99
Total assets.....	227,343,652.48	247,938,967.475
Liabilities and surplus:		
Current liabilities.....	37,908,345.72	31,589,587.87
Deferred credits.....	15,648,485.54	16,976,154.69
Total liabilities.....	53,556,831.26	48,565,742.56
Released appropriated current surplus.....	112,080,122.92	117,427,648.18
Unreleased appropriated current surplus.....	50,954,057.49	86,641,837.04
Unappropriated current surplus.....	(6,391,929.14)	(22,195,179.195)
Reserve for determined losses.....	407,243.52	415,226.11
Reserve for government center.....	9,355,988.39	9,665,666.11
Advances to money order fund.....	5,880,382.78	5,929,429.30
Advances to irrigation fund.....	1,500,955.26	1,488,597.37
Total current surplus.....	173,786,821.22	199,373,224.915
Total liabilities and surplus.....	227,343,652.48	247,938,967.475

¹ Taken from annual reports of the Auditor General.

Tables 28 and 29 show the combined financial condition of the general, special, and bonds funds for the 12-month period ended June 30, 1939, and fiscal year ended June 30, 1940. Consolidated receipts in these funds totaled ₱158,029,869.665 for the period July 1, 1939, to June 30, 1940, and ₱156,291,476.45 for the period July 1, 1938, to June 30, 1939. Consolidated expenditures amounted to

₱183,616,273.36 for the period ended June 30, 1940, and ₱154,732,-895.23 for the period ended June 30, 1939. The combined accumulated current surplus of ₱199,373,224.915 on June 30, 1939, was reduced to ₱173,786,821.22 as of June 30, 1940, or a decrease of ₱25,586,403.695. This last figure represents the excess of consolidated expenditures over consolidated receipts during the period July 1, 1939, to June 30, 1940, as shown in table 29.

TABLE 29.—*Receipts and disbursements, or result of operations, in the consolidated general, special, and bond funds for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
RESULT OF OPERATIONS		
Receipts:	<i>Pesos</i>	<i>Pesos</i>
Import duties	24, 976, 043. 86	20, 711, 001. 07
Excise taxes	27, 921, 105. 04	25, 042, 876. 97
License and business taxes	29, 490, 631. 60	26, 708, 659. 52
Income tax	11, 533, 763. 63	14, 393, 848. 90
Wharfage fees (Act 3592, as amended)	3, 569, 039. 77	3, 659, 664. 52
Other revenue from taxation	3, 523, 301. 46	3, 348, 028. 99
Total revenue from taxation	101, 013, 885. 36	93, 864, 079. 97
Less:		
Internal revenue returned to local governments (sec. 491, Act 2711)	5, 898, 848. 60	3, 164, 083. 53
Gasoline fund apportioned to local governments (Act 3248)	1, 800, 000. 00	2, 026, 363. 00
Motor vehicle fund apportioned to local governments (Act 3992)	1, 100, 000. 00	938, 205. 00
	8, 798, 848. 60	6, 128, 651. 53
Net revenue from taxation	92, 215, 036. 76	87, 735, 428. 44
Coconut oil excise tax:		
Collections transferred from United States	28, 538, 184. 12	40, 710, 911. 30
Interest on deposits in United States	862, 756. 42	1, 192, 702. 63
Other United States internal revenue received	946, 539. 11	1, 100, 722. 65
Other revenue	35, 467, 353. 255	25, 551, 711. 43
Total receipts	158, 029, 869. 665	156, 291, 476. 45
Coconut oil excise tax	29, 400, 940. 54	41, 903, 613. 93
Other funds	128, 628, 929. 125	114, 387, 862. 52
Disbursements:		
Salaries and wages	45, 211, 744. 23	43, 476, 031. 77
Other administrative disbursements	40, 567, 151. 15	22, 991, 748. 75
Contributions to local governments	9, 380, 720. 92	30, 077, 806. 51
Pensions and gratuities	1, 738, 386. 91	2, 335, 067. 23
Outlays and investments	44, 446, 348. 54	24, 876, 495. 33
Public debt service	8, 389, 710. 95	8, 242, 753. 13
Public works	32, 754, 516. 54	21, 919, 357. 67
Other charges	1, 127, 694. 12	813, 634. 84
Total disbursements	183, 616, 273. 36	154, 732, 895. 23
Coconut oil excise tax	60, 257, 570. 48	35, 086, 463. 36
Other funds	123, 358, 702. 88	119, 646, 431. 87
Excess of receipts over disbursements	(25, 586, 403. 695)	1, 558, 581. 22
Coconut oil excise tax	(30, 856, 629. 94)	6, 817, 150. 57
Other funds	5, 270, 226. 245	(5, 258, 569. 35)

¹ Taken from reports of the Auditor General.

Table 30 shows collections, transfers, and other receipts, appropriations and expenditures of coconut oil excise tax funds up to June 30, 1940, and balances on hand at that date. Original collections of the coconut oil excise tax are made in the United States by the Bureau of Internal Revenue and deposited in the United States Treasury in an account captioned "Philippine Trust Fund—Coconut Oil Tax."

From this account the amounts, minus occasional refunds to taxpayers, have been transferred quarterly to other accounts in the United States Treasury, one captioned "Treasurer of the Philippines, General Fund Account, Time Deposit" for collections made prior to January 1, 1939, and one "Treasurer of the Philippines, General Fund Account, Act August 7, 1939" for collections made on or after January 1, 1939. The first account bears interest at the rate of 2 percent per annum, and the second at the rate of 1 percent. Requests signed by the Treasurer of the Philippines and the Secretary of Finance of the Philippines, and approved by the President of the Commonwealth, are necessary to effect transfers from the time deposit account to other accounts of the Treasury of the Philippines. These requests must be made 90 days prior to transfer. Owing to litigation as to the constitutionality of the levy and transfer to the Commonwealth, which was finally decided in favor of the Commonwealth by the Supreme Court of the United States in *Haskins Brothers and Company vs. Morgenthau, Secretary of the Treasury et. al.* (decision rendered May 3, 1937), no transfer of these funds was made to the Treasury of the Philippines until July 1, 1937.

Up to June 30, 1940, the total net collections, that is, collections less refunds to taxpayers amounted to ₱200,592,120.84. Of this amount, ₱182,958,653.54, covering net collections up to December 31, 1939, plus accumulated interest of ₱3,865,603.60 on coconut oil excise tax funds deposited in the United States Treasury, or a total of ₱186,824,257.14, had been credited and transferred to the Commonwealth Government. Up to June 30, 1940, of this amount, ₱152,260,135 represented funds collected prior to January 1, 1939, and ₱34,564,122.14 funds collected on and after that date. An additional ₱17,633,467.30 had been collected but not transferred. Total collections through June 30, 1940, therefore, amounted to ₱204,457,724.44.

Total appropriations of coconut oil tax funds up to June 30, 1940, amounted to ₱207,325,745.27; ₱156,882,505.27 chargeable to collections prior to January 1, 1939, and ₱50,443,240 (appropriated by Commonwealth Acts 518, 519, and 521) chargeable to collections on and after that date. These appropriations do not include the amount of ₱34,337,818.85 appropriated in Commonwealth Act 552, approved May 26, 1940, for the fiscal year 1941 (July 1, 1940-June 30, 1941). It will be noted that appropriations of funds collected prior to January 1, 1939, exceeded actual collections by ₱4,622,370.27. It would appear necessary either to adjust appropriations to correspond with actual collections or to leave funds collected prior to January 1, 1939, on deposit in the United States Treasury long enough to earn ₱4,622,370.27 interest. As of June 30, 1940, there were on deposit in the United States Treasury ₱64,410,469.52 of coconut oil tax funds collected prior to January 1, 1939.

Expenditures of coconut oil tax funds up to June 30, 1940, had totaled ₱131,521,258.39; ₱96,969,174.48, being chargeable to collections prior to January 1, 1939, and ₱34,552,083.91 to collections on and after that date. Collections (net collections plus "other receipts," notably interest) exceeded expenditures by ₱72,936,466.05. Collections prior to January 1, 1939, exceeded expenditures of these funds by ₱55,290,960.52 and collections on and after January 1, 1939, exceeded expenditures of these funds by ₱17,645,505.53.

TABLE 30.—*Coconut oil excise tax fund: collections, transfers, and other receipts, appropriations, expenditures, and balances as of June 30, 1940*

COLLECTIONS

Collections deposited with United States Treasury in account captioned "Philippine Trust Fund-Coconut Oil Tax" as reported to the Office of the United States High Commissioner:

	<i>Pesos</i>
June 10-Dec. 31, 1934.....	15, 280, 762. 90
Jan. 1-Dec. 31, 1935.....	35, 777, 805. 84
Jan. 1-Dec. 31, 1936.....	34, 822, 203. 76
Jan. 1-Dec. 31, 1937.....	30, 676, 512. 10
Jan. 1-Dec. 31, 1938 (includes ₱790,570.96 of 1935-36 collections).....	34, 253, 184. 92
Gross collections June 10, 1934-Dec. 31, 1938.....	150, 810, 469. 52
Jan. 1-June 30, 1939.....	17, 926, 708. 96
July 1, 1939-June 30, 1940.....	34, 294, 870. 54
Gross collections Jan. 1, 1939-June 30, 1940.....	52, 221, 579. 50
Total gross collections June 10, 1934-June 30, 1940.....	203, 032, 049. 02
Less refunds of taxes previously collected:	
June 10-Dec. 31, 1934.....	-----
Jan. 1-Dec. 31, 1935.....	-----
Jan. 1-Dec. 31, 1936.....	400, 000. 00
Jan. 1-Dec. 31, 1937.....	400, 000. 00
Jan. 1-Dec. 31, 1938.....	1, 600, 000. 00
Refunds June 10, 1934-Dec. 31, 1938.....	2, 400, 000. 00
Jan. 1-June 30, 1939.....	-----
July 1, 1939-June 30, 1940.....	39, 928. 18
Refunds Jan. 1, 1939-June 30, 1940.....	39, 928. 18
Total refunds June 10, 1934-June 30, 1940.....	2, 439, 928. 18
Net collections June 10, 1934-Dec. 31, 1938.....	148, 410, 469. 52
Net collections Jan. 1, 1939-June 30, 1940.....	52, 181, 651. 32
Total net collections June 10, 1934-June 30, 1940.....	200, 592, 120. 84

TRANSFERS

Transfers from "Philippine Trust Fund—Coconut Oil Tax" Account to "Treasurer of the Philippines, General Fund Account—Time Deposit" Account:

Date of transfer or deposit and period of collections

July 1, 1937—June 10, 1934-Apr. 30, 1937, less ₱800,000 for refund of taxes.....	95, 507, 227. 30
June 1, 1938—May 1, 1937-Nov. 30, 1937.....	18, 202, 330. 82
Sept. 20, 1938—Dec. 1, 1937-June 30, 1938, less ₱1,200,000 for refund of taxes.....	15, 158, 418. 04
Nov. 15, 1938—July 1, 1938-Aug. 31, 1938, including ₱790,570.96 part of 1935 and 1936 collections, less ₱400,000 for refund of taxes.....	6, 139, 003. 86
Mar. 1, 1939—Sept. 1, 1938-Nov. 30, 1938.....	10, 449, 045. 52
May 13, 1939—Dec. 1, 1938-Feb. 28, 1939.....	8, 964, 443. 88
Sept. 8, 1939—Mar. 1, 1939-May 31, 1939.....	9, 118, 032. 92
	163, 538, 502. 34

TABLE 30.—Coconut oil excise tax fund: collections, transfers, and other receipts, appropriations, expenditures, and balances as of June 30, 1940—Continued

TRANSFERS—Continued

Date of transfer or deposit and period of collections—Continued

Less portion of transfers covering net collections from Jan. 1 to May 31, 1939, transferred Apr. 16, 1940, to new special deposit account "Treasurer of the Philippines, General Fund Account Act Aug. 7, 1939"----- *Pesos*
\$15, 128, 032. 82

Transfers covering net collections up to Dec. 31, 1938-----¹ 148, 410, 469. 52

Transfers from "Philippine Trust Fund—Coconut Oil Tax" Account to "Treasurer of the Philippines, General Fund Account, Act Aug. 7, 1939":

Date of transfer and period of collections

Apr. 16, 1940—Transfer from "Treasurer of the Philippines, General Fund Account—Time Deposit" covering net collections, Jan. 1—May 31, 1939----- 15, 128, 032. 82

May 11, 1940—June 1, 1939—Dec. 31, 1939, less P39,928.18 for refund of taxes ----- 19, 420, 151. 20

Transfers covering net collections, Jan. 1—Dec. 31, 1939.. 34, 548, 184. 02

Total transfers June 10, 1934—June 30, 1940----- 182, 958, 653. 54

Other receipts:

Interest on coconut oil excise tax deposited in the United States Treasury and credited to the Philippine Government within the periods below stated:

Up to Dec. 31, 1938----- 2, 797, 988. 28

Jan. 1—June 30, 1940----- 204, 858. 90

July 1, 1939—June 30, 1940----- 862, 756. 42

Total other receipts:

Pesos
Prior to Jan. 1, 1939----- 3, 849, 665. 48

On and after Jan. 1, 1939----- 15, 938. 12

3, 865, 603. 60

Transfers covering net collections and other receipts prior to Jan. 1, 1939----- 152, 260, 135. 00

Transfers covering net collections and other receipts on and after Jan. 1, 1939----- 34, 564, 122. 14

Total transfers and other receipts----- 186, 824, 257. 14

¹ Of the amount of P148,410,469.52, the following were withdrawn by, and transferred to, the Treasury of the Commonwealth per report of the Secretary of the United States Treasury.

Date of withdrawal:

July 1, 1938-----	P10, 000, 000
Sept. 10, 1938-----	11, 000, 000
Dec. 19, 1938-----	10, 000, 000
Jan. 23, 1939-----	23, 000, 000
Feb. 23, 1939-----	10, 000, 000
July 12, 1939-----	10, 000, 000
June 20, 1940-----	10, 000, 000
	84, 000, 000

leaving a balance of P64,410,469.52 deposited in the United States Treasury as of June 30, 1940.

Statement of appropriations from coconut oil excise tax fund collected prior to Jan. 1, 1939, showing the fiscal year in which each appropriation was made

Purpose	Fiscal year (calendar) 1937	Fiscal year (calendar) 1938	Fiscal year 1939 (January 1– June 30)	Fiscal year 1940 (July 1, 1939– June 30, 1940)	Total
Loan to the Manila Railroad Co. for redemption of Southern Lines bonds, Commonwealth Act 4	Pesos 9,990,000.00	Pesos	Pesos	Pesos	Pesos 9,990,000.00
Purchase of home sites in large landed estates, Commonwealth Act 20	1,000,000.00				1,000,000.00
Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Acts 119, 245, 300, and 446	1,250,000.00	258,198.00	128,180.00	224,710.00	861,088.00
Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Act 304		56,101.96			56,101.96
Advance to the National Power Corporation, Commonwealth Act 120	1,250,000.00				250,000.00
Revolving fund for the construction of water-works systems, Commonwealth Act 125	12,000,000.00				2,000,000.00
For stabilizing the prices of buntal fibers, Commonwealth Act 147	1,500,000.00				500,000.00
Survey and subdivision of public agricultural lands, Commonwealth Act 166	1,100,000.00				100,000.00
New census, Commonwealth Acts 170 and 346	1,500,000.00	2,100,000.00			3,600,000.00
Subscription to the capital stock of the National Development Co. Act 2849 and Commonwealth Act 182	10,000,000.00	10,095,550.50			20,095,550.50
Subscription to the capital stock of the Manila Railroad Co., Act 3116	1,000,000.00				1,000,000.00
Subscription to the capital stock of the Manila Railroad Co., Act 3116	1,300,000.00	2,000,000.00	2,000,000.00		5,300,000.00
Restoration and replacement of sinking fund investments in Manila Railroad Co. and Philippine Railway Co., bonds, Act 3227	369,522.50				369,522.50
Acquisition of land and construction of buildings for laborers, Act 4184	1,250,000.00				250,000.00
Construction and reconstruction of school buildings, Commonwealth Act 240 (unreleased P49,600)	5,050,000.00				5,050,000.00
Aid to the city of Manila for public improvements, Commonwealth Act 242		1,000,000.00			1,000,000.00
Promotion of tourist trade in the Philippines, Commonwealth Acts 245, 300, and 446		100,000.00	50,000.00	100,000.00	250,000.00
Survey and subdivision of public lands, Commonwealth Acts 245, 300, and 446		163,980.00	81,990.00	134,980.00	380,950.00
Research activities of the Bureau of Science, Commonwealth Acts 245, 300, and 446		50,000.00	25,000.00	50,000.00	125,000.00
Operation of domestic airmail services, Commonwealth Acts 245 and 300		150,000.00	75,000.00		225,000.00
Purchase of medicines and medical supplies, etc., Commonwealth Acts 245 and 300		200,000.00	170,000.00		370,000.00
Operation of traveling X-ray units, etc., Commonwealth Acts 245 and 300		65,570.00	32,800.00		98,370.00

¹ Amounts used to replenish the general fund proper.

² 1P0.000,000 used to replenish the general fund proper.

Statement of appropriations from coconut oil excise tax fund collected prior to Jan. 1, 1939, showing the fiscal year in which each appropriation was made—Con.

Purpose	Fiscal year (calendar) 1937	Fiscal year (calendar) 1938	Fiscal year 1939 (January 1- June 30)	Fiscal year 1940 (July 1, 1939- June 30, 1940)	Total
For establishment and operation of health-training camps for under-nourished and unhealthy children, Commonwealth Act 245.	Pesos	Pesos 50,000.00	Pesos	Pesos	Pesos 50,000.00
Purchase of large landed estates used as home sites, Commonwealth Act 260 (unreleased P1,800,000)		2,000,000.00			2,000,000.00
Public works, section 1 only, Act 330 (unreleased P16,005,648)		74,936,600.00			74,936,600.00
Construction of National Prison building, etc., Commonwealth Act 67 (transferred from appropriation, sec. 1-C(q)-42 and D(w), Commonwealth Act 330)		650,000.00			650,000.00
Survey and subdivision of public lands, Commonwealth Act 347		90,252.59			90,252.59
Construction of irrigation systems, Commonwealth Act 369		10,000.00			10,000.00
Lease of landed estates, Commonwealth Act 378		1,500,000.00			1,500,000.00
National markets, slaughterhouses and waterworks revolving fund, Commonwealth Act 403 (unreleased P5,000,000)		10,000,000.00			10,000,000.00
Transfer of the University of the Philippines to a place (Diliman) outside of Manila, Commonwealth Act 442 (unreleased P15,000,000)			8,500,000.00	9,000,000.00	17,500,000.00
Acquisition and equipment of a speed launch for the Bureau of Science, etc., Commonwealth Act 446				189,720.00	189,720.00
Public works appropriations, sec. 2 only, Commonwealth Act 469 (unreleased P482,576.60)			5,295,086.60		5,295,086.60
Subtotal	33,559,522.50	105,476,253.05	16,358,056.60	9,699,410.00	165,093,242.15
Deduct:					
Reversions to the unappropriated surplus:					
Revolving fund for the construction of waterworks systems, Commonwealth Act 125.			2,000,000.00		2,000,000.00
For stabilizing the prices of buntal fibers, Commonwealth Act 147				500,000.00	500,000.00
General Appropriations, Commonwealth Act 245		165,257.09			165,257.09
General Appropriations, Commonwealth Act 300			120,523.80		120,523.80
General Appropriations, Commonwealth Act 446				129,869.39	129,869.39
Public works appropriations, Commonwealth Act 330				5,295,086.60	5,295,086.60
Subtotal		165,257.09	2,120,523.80	5,924,955.99	8,210,736.88
Total net appropriations chargeable to collections prior to Jan. 1, 1939	33,559,522.50	105,310,995.96	14,237,532.80	3,774,454.01	156,882,505.27

Statement of appropriations from coconut oil excise tax fund collected on and after Jan. 1, 1939, showing the fiscal year in which each appropriation was made¹

Purpose	Fiscal year (calendar) 1937	Fiscal year (calendar) 1938	Fiscal year 1939 (Jan. 1- June 30)	Fiscal year 1940 (July 1, 1939- June 30, 1940)	Total
Reforestation and afforestation of watersheds, denuded areas, etc., Commonwealth Acts 304 and 521 (unreleased P14.34)	Pesos	Pesos 880,600.00	Pesos	Pesos	Pesos 880,600.00
Investment in the textile mills of the National Development Co., Commonwealth Act 521				2,000,000.00	2,000,000.00
Construction of national roads as authorized in items 1-4, 6-7, 9-11, 15, 18-19, 21-28, 30-32, 36, 39, 46, 49-51 under sec. 1-C (q), Commonwealth Acts 330 (and 521) (unreleased P993,500)		6,781,500.00			6,781,500.00
Construction of flood-control works on the Agno River system and the Pampanga River system as authorized in items D (w) and D (x) under sec. 1, Commonwealth Acts 330 (and 521) (unreleased)		2,000,000.00			2,000,000.00
Subscription to the capital stock of the National Abaca and Other Fibers Corporation, Commonwealth Acts 332 and 521		2,550,000.00			2,550,000.00
Survey and subdivision of public lands, Commonwealth Acts 347 and 521		1,372,700.00			1,372,700.00
Construction of irrigation systems, Commonwealth Acts 369 and 521 (unreleased P700,000)		1,270,000.00			1,270,000.00
Agronomical survey of the Philippines, Commonwealth Acts 418 and 521			88,440.00		88,440.00
Subscription to the capital stock of the National Land Settlement Administration, Commonwealth Acts 441 and 521 (unreleased P2,000,000)			4,000,000.00		4,000,000.00
Investment in certain activities of the Agricultural and Industrial Bank, Commonwealth Act 521				10,000,000.00	10,000,000.00
Subscription to the capital stock of the Agricultural and Industrial Bank of the Philippines, Commonwealth Acts 459 and 521				15,000,000.00	15,000,000.00
Agricultural experiment and demonstration stations in accordance with sec. 1754 of the Revised Administrative Code and Commonwealth Act 521 (unreleased)				500,000.00	500,000.00
Coconut Industry Promotion Fund, Commonwealth Act 518 (unreleased)				2,000,000.00	2,000,000.00
Tobacco Industry Promotion Fund, Commonwealth Act 519 (unreleased)				2,000,000.00	2,000,000.00
Total appropriations chargeable to collections on and after Jan. 1, 1939		14,854,800.00	4,088,440.00	31,500,000.00	50,443,240.00
Grand total of net appropriations as of June 30, 1940	33,559,522.50	120,165,795.96	18,325,972.80	35,274,454.01	207,325,745.27

¹ A large proportion of the coconut oil tax funds paid by the United States to the Philippines were appropriated by the National Assembly before the collections or transfers were made. See pages 16-23 of this report.

Expenditures from coconut oil excise tax fund from June 10, 1934, to June 30, 1940

Year	Coconut oil excise tax fund		Total
	Prior to Jan. 1, 1939	On and after Jan. 1, 1939	
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
1934 (from June 10).....			
1935 (calendar).....			
1936 (calendar).....			
1937 (calendar).....			
1938 (calendar).....	¹ 26,009,522.50		26,009,522.50
1939 (January-June).....	² 31,869,994.70		31,869,994.70
1939 (January-June).....	12,894,263.49	489,907.22	13,384,170.71
1939-40 (July-June).....	26,195,393.79	34,062,176.69	60,257,570.48
Total expenditures.....	96,969,174.48	34,552,083.91	131,521,258.39

¹ ₱24,340,000 used to replenish the general fund proper.² ₱10,000,000 used to replenish the general fund proper.*Statement showing balances of collections, transfers, appropriations, and funds deposited in the United States Treasury as of June 30, 1940*

BALANCES

Details	Coconut oil excise tax fund		Total
	Prior to Jan. 1, 1939	On and after Jan. 1, 1939	
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
Gross collections accounted for in "Philippine Trust Fund-Coconut Oil Tax" account through June 1940.....	150,810,469.52	52,221,579.50	203,032,049.02
Less refunds of taxes previously collected.....	2,400,000.00	39,928.18	2,439,928.18
Net collections.....	148,410,469.52	52,181,651.32	200,592,120.84
Less transfers credited to Treasurer of the Philippines, General Fund Account-Time Deposit and Account, act Aug. 7, 1939, through December 1939 collections.....	148,410,469.52	34,548,184.02	182,958,653.54
Collections still untransferred.....		17,633,467.30	17,633,467.30
Net collections through June 1940.....	148,410,469.52	52,181,651.32	200,592,120.84
Plus "other receipts".....	3,849,665.48	15,938.12	3,865,603.60
Total collections and other receipts.....	152,260,135.00	52,197,589.44	204,457,724.44
Less appropriations through June 1940.....	156,882,505.27	50,443,240.00	207,325,745.27
Excess of collections and other receipts over appropriations (or the reverse).....	(4,622,370.27)	1,754,349.44	(2,868,020.83)
Net collections through June 1940.....	148,410,469.52	52,181,651.32	200,592,120.84
Plus "other receipts".....	3,849,665.48	15,938.12	3,865,603.60
Total collections and other receipts.....	152,260,135.00	52,197,589.44	204,457,724.44
Less expenditures through June 1940.....	96,969,174.48	34,552,083.91	131,521,258.39
Excess of collections and other receipts over expenditures.....	55,290,960.52	17,645,505.53	72,936,466.05
Transfers through December 1939 collections.....	148,410,469.52	34,548,184.02	182,958,653.54
Plus "other receipts".....	3,849,665.48	15,938.12	3,865,603.60
Total transfers and other receipts.....	152,260,135.00	34,564,122.14	186,824,257.14
Less appropriations.....	156,882,505.27	50,443,240.00	207,325,745.27
Excess of appropriations over transfers and other receipts.....	(4,622,370.27)	(15,879,117.86)	(20,501,488.13)
Transfers through December 1939 collections.....	148,410,469.52	34,548,184.02	182,958,653.54
Plus "other receipts".....	3,849,665.48	15,938.12	3,865,603.60
Total transfers and other receipts.....	152,260,135.00	34,564,122.14	186,824,257.14
Less expenditures through June 1940.....	96,969,174.48	34,552,083.91	131,521,258.39
Excess of transfers and other receipts over expenditures.....	55,290,960.52	12,038.23	55,302,998.75

Statement showing balances of collections, transfers, appropriations, and funds deposited in the United States Treasury as of June 30, 1940—Continued

Details	Coconut oil excise tax fund		Total
	Prior to Jan. 1, 1939	On and after Jan. 1, 1939	
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
Appropriations through June 1940.....	156,882,505.27	50,443,240.00	207,325,745.27
Less expenditures through June 1940.....	96,969,174.48	34,552,083.91	131,521,258.39
	59,913,330.79	15,891,156.09	75,804,486.88
Coconut oil tax funds deposited in the United States Treasury (transfers credited to Treasurer of the Philippines, General Fund Account-Time Deposit and Account, act Aug. 7, 1939).....	148,410,469.52	34,548,184.02	182,958,653.54
Less withdrawals by the Commonwealth Government.....	84,000,000.00		84,000,000.00
Balance of funds deposited in the United States Treasury.....	64,410,469.52	34,548,184.02	98,958,653.54

Source: From reports of the Auditor General of the Philippines and the Director, Division of Territories and Island Possessions.

THE PUBLIC DEBT

Compared with most other countries in recent years, the Philippine public debt and the proportion of governmental revenues required for servicing it is small. The bulk of the debt was created before the establishment of the Commonwealth and is held in the United States. All bonds issued prior to May 1, 1934, are protected by a provision in the Tydings-McDuffie Act setting aside for their payment all revenues derived from the export taxes prescribed in the act.

TABLE 31.—*Amount of the administratively authorized, issued, and uncovered bonded public debt of the Philippine Commonwealth and accumulated sinking funds pertaining thereto as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
AUTHORIZED		
National direct issues.....	<i>Pesos</i> 168,350,000.00	<i>Pesos</i> 151,350,000.00
National issues against local government bonds.....	19,015,900.00	17,815,600.00
Local government direct issues.....	10,440,000.00	10,440,000.00
Total public debt authorized.....	197,805,900.00	179,605,600.00
ISSUED		
National direct issues.....	127,950,000.00	130,450,000.00
National issues against local government bonds.....	17,037,000.00	16,567,000.00
Local government direct issues.....	1,920,000.00	1,920,000.00
Total public debt issued.....	146,907,000.00	148,937,000.00
ACCUMULATED SINKING FUNDS		
National direct issues.....	61,896,519.86	60,183,434.48
National issues against local government bonds.....	9,393,134.37	8,575,054.93
Local government direct issues.....	650,545.21	595,527.75
Total sinking funds.....	71,940,199.44	69,354,017.16
Net public debt uncovered.....	74,966,800.56	79,582,982.84
Composition of the sinking funds:		
Cash.....	3,612,249.44	4,001,067.16
Investments and securities.....	30,848,950.00	26,129,950.00
Canceled bonds, Act 3014.....	37,479,000.00	39,223,000.00
Total sinking funds.....	71,940,199.44	69,354,017.16

¹ Taken from reports of the Auditor General and the Treasurer of the Philippines.

While the debt of the Philippine Government does not appear large, it must be borne in mind that the country is facing an extremely difficult adjustment of its economy to a status independent of the United States and that the revenues of the Government probably will be drastically reduced. It is important that the country enter upon its career as an independent nation under the best possible auspices. Even if the Philippine Government is entirely free of debt at the date of independence, the financial problems of the Government will be manifold.

TABLE 32.—*Bonded public debt of the Philippine Commonwealth outstanding as of June 30, 1940, showing amounts thereof issued, redeemable before maturity, and maturing, 1911 to 1970*¹

Year	Issued		Redeemable before maturity		Amount maturing
	Amount	Year of maturity	Amount	Year of maturity	
	<i>Pesos</i>		<i>Pesos</i>		<i>Pesos</i>
1911.....	250,000	1941			
1916.....	8,000,000	1946			
1919.....	170,000	1949			
1921.....	20,000,000	1941	250,000	1941	
1922.....	79,600,000	1952			
1922.....	5,500,000	1950			
1925.....	6,000,000	1955			
1926.....	4,269,000	1956	8,000,000	1946	
1927.....	3,228,000	1957			
1928.....	4,220,000	1958			
1929.....	6,500,000	1959	170,000	1949	
1930.....	2,850,000	1960			
1931.....	500,000	1961			
1933.....	1,277,700	1963			
1935.....	1,500,000	1965	6,000,000	1955	
1936.....	1,072,300	1966	1,953,000	1956	
1937.....	500,000	1967	222,000	1957	
1938.....	500,000	1968			
1939.....	120,000	1969			
1940.....	850,000	1970			
June 30, 1940.....	146,907,000		16,595,000		
1941.....			500,000	1961	20,250,000
1945.....			1,000,000	1965	
July 4, 1946.....	146,907,000		18,095,000		20,250,000
1946 (Dec. 1).....					8,000,000
1947.....			500,000	1967	
1948.....			500,000	1968	
1949.....					170,000
1950.....			500,000	1970	5,500,000
1952.....					79,600,000
1955.....					6,000,000
1956.....					4,269,000
1957.....					3,228,000
1958.....					4,220,000
1959.....					6,500,000
1960.....					2,850,000
1961.....					500,000
1963.....					1,277,700
1965.....					1,500,000
1966.....					1,072,300
1967.....					500,000
1968.....					500,000
1969.....					120,000
1970 (May 1).....					850,000
May 1, 1970.....	146,907,000		19,595,000		146,907,000

¹ Data from reports of the Auditor General and the Treasurer of the Philippines.

Tables 31 and 32 show the details of the public debt as of June 30, 1940, with comparison for June 30, 1939. The public debt issued was reduced from ₱148,937,000 on June 30, 1939, to ₱146,907,000 on June 30, 1940. The decrease of ₱2,030,000 was due to the redemption on August 1, 1939, of Public Improvement Bonds of 1909, amounting to ₱3,000,000, which was offset by the following issues:

Metropolitan water district purchase bonds, Act 3255, 7th issue, Apr. 1, 1940.....	Pesos 500, 000
City of Bacolod sewer and waterworks bonds, Commonwealth Act 428, Dec. 1, 1939.....	120, 000
City of Cebu sewer and waterworks bonds, Commonwealth Act 337, May 1, 1940.....	350, 000
Total issues.....	970, 000

As shown in table 32, a total of ₱16,595,000 of the debt outstanding on June 30, 1940, is redeemable (10 years after issue) before maturity and may now be redeemed, if desired. After applying to the outstanding debt the accumulated sinking funds amounting to ₱69,354,-017.16 on June 30, 1939, and to ₱71,940,199.44 on June 30, 1940, there remained a net public debt of ₱79,582,982.84 as of June 30, 1939, and of ₱74,966,800.56 as of June 30, 1940. This statement of the public debt does not include, however, any of the bonded or long-term debt of the Manila Railroad Co.

CURRENCY CIRCULATION AND RESERVES

The currency of the Philippines has remained, since the establishment of the Commonwealth, as before, legally tied to the United States dollar at the rate of 2 pesos for 1 dollar. Since the American occupation of the Islands there has occurred a broadened use and greatly increased volume of bank credit. Basic conditions in the Philippines are such, however, that variations in the currency in circulation is of relatively much greater significance than in countries such as the United States.

Detailed data pertaining to the currency and reserves of the Philippines on June 30, 1940, compared with June 30, 1939, are shown in tables 33 and 34. The net circulation in the hands of the public declined from ₱162,885,872.24 on June 30, 1939, to ₱150,214,069.43 on June 30, 1940, a decrease of approximately ₱12,500,000. A decline of about ₱11,000,000 in treasury certificates and ₱1,700,000 in bank notes was partly offset by a rise of a little over ₱110,000 in coins. The total of currency in circulation and legally available for circulation also declined by approximately ₱8,000,000. Declining prices of Philippine staple products occasioned by troubled conditions abroad, which impaired the purchasing power of the people and the normal flow of business, had much to do with this decline in currency circulation.

The upward trend in currency circulation, which started about the middle part of 1937, and which recorded its highest level at the end of August 1938, when it reached ₱183,743,001.82, was reversed and followed by a gradual decline which continued through the fiscal year under review. The net circulation in the hands of the public on June 30, 1940, was the smallest since May 1937, shortly before the first transfer of coconut-oil excise-tax receipts from the United States to the Philippine Government. Based on a population of 16,000,303, as determined by the 1939 census, the per capita net circulation of the Philippines as of June 30, 1940, was ₱10.65.

As shown in table 34, the cash surplus of the Exchange Standard Fund increased but moderately from ₱48,357,091.83 on June 30, 1939, to ₱50,800,167.77 on June 30, 1940. The ratio of this surplus to Government currency circulation advanced from 26.2 percent on June 30, 1939, to 28.4 percent on June 30, 1940. On the other hand, the cash balance of the Treasury Certificate Fund decreased by ₱3,186,279 between June 30, 1939, and June 30, 1940, standing at ₱158,892,607 on the latter date. Over 88 percent of this balance is deposited in the United States Treasury. Considering the two reserve funds together, it will be noted that the combined position remained over 100 percent of the net circulation in the hands of the public, being 140 percent on June 30, 1940, as against 129.2 percent on June 30, 1939.

TABLE 33.—*Statement of Philippine currency issued and in circulation and its composition as of June 30, 1939, and June 30, 1940*¹

Particulars	June 30, 1940	June 30, 1939
Summary:		
Net circulation in hands of the public	Pesos 150,214,069.43	Pesos 162,885,872.24
In Philippine Treasury legally available for circulation (pertaining to the general fund and other operating funds of the Government)	32,402,123.95	27,483,417.86
Estimated destroyed or unknown	665,855.00	665,855.00
In bank vaults legally available for circulation	501,455.00	716,905.00
In circulation and legally available for circulation	183,783,503.38	191,752,050.10
In Philippine Treasury but not legally available for circulation	21,986,314.54	18,854,213.02
Currency issued	205,769,817.92	210,606,263.12
Coins:		
Net circulation in hands of the public	22,224,627.96	22,110,758.77
In Philippine Treasury legally available for circulation (pertaining to the general fund and other operating funds of the Government)	541,319.95	442,441.86
Estimated destroyed or unknown	104,040.00	104,040.00
In circulation and legally available for circulation	22,869,987.91	22,657,240.63
In Philippine Treasury but not legally available for circulation:		
Pertaining to exchange standard fund	506,309.54	4,252,034.02
Pertaining to treasury certificate fund	18,415,000.00	14,601,279.00
Total	18,921,309.54	18,854,213.02
Coins issued	41,791,297.45	41,511,453.65
Treasury certificates:		
Net circulation in hands of the public	123,602,658.00	134,673,770.00
In Philippine Treasury legally available for circulation (pertaining to the general fund and other operating funds of the Government)	31,860,804.00	27,040,976.00
Estimated destroyed or unknown	364,140.00	364,140.00
In circulation and legally available for circulation	155,827,602.00	162,078,886.00
In Philippine Treasury but not legally available for circulation:		
Pertaining to exchange standard fund	1,807,180.00	
Reserve against circulating bank notes	1,257,825.00	
Total	3,065,005.00	
Treasury certificates issued	158,892,607.00	162,078,886.00
Notes of the Bank of the Philippine Islands:		
Net circulation in hands of the public	1,583,030.00	2,163,580.00
In bank vaults legally available for circulation	175,355.00	194,805.00
Estimated destroyed or unknown	41,615.00	41,615.00
In circulation and legally available for circulation	1,800,000.00	2,400,000.00
Notes issued	1,800,000.00	2,400,000.00
Notes of the Philippine National Bank:		
Net circulation in hands of the public	2,803,753.47	3,937,763.47
In bank vaults legally available for circulation	326,100.00	522,100.00
Estimated destroyed or unknown	156,060.00	156,060.00
In circulation and legally available for circulation	3,285,913.47	4,615,923.47
Notes issued	3,285,913.47	4,615,923.47

¹ From reports of the Treasurer of the Philippines.

TABLE 34.—*Statement of Philippine currency reserve funds and their ratio to currency in circulation as of June 30, 1939, and June 30, 1940*¹

Particulars	June 30, 1940	June 30, 1939
EXCHANGE STANDARD FUND		
Assets:		
In Philippine Treasury:		
In Philippine currency less outstanding warrants..... pesos..	2,330,102.91	4,227,435.49
In United States currency..... equivalent to pesos..	6,204,307.80	1,898,815.02
Total in Philippine Treasury..... do.....	8,534,410.71	6,126,250.51
On deposit in the United States:		
United States Treasury, demand..... dollars..	6,956,540.73	5,667,071.42
United States Treasury, time..... do.....	12,725,000.00	12,725,000.00
Chase National Bank, demand..... do.....	1,451,337.80	2,722,004.93
East Tennessee National Bank, time..... do.....		1,344.31
Total on deposit in United States..... do.....	21,132,878.53	21,115,420.66
Total on deposit in United States..... pesos..	42,265,757.06	42,230,841.32
Cash surplus..... do.....	50,800,167.77	48,357,091.83
Other assets..... do.....	138,638.43	1,447,333.94
Total assets..... do.....	50,938,806.20	49,804,425.77
Liabilities and surplus:		
Accounts payable, etc..... do.....	503,969.79	248,954.42
Surplus..... do.....	50,434,836.41	49,555,471.35
Total liabilities and surplus..... do.....	50,938,806.20	49,804,425.77
TREASURY CERTIFICATE FUND		
Assets:		
In Philippine Treasury, silver pesos and half pesos..... pesos..	18,415,000.00	14,601,279.00
On deposit in United States:		
United States Treasury, demand..... dollars..	28,588,803.50	32,088,803.50
United States Treasury, time..... do.....	41,650,000.00	41,650,000.00
Total on deposit in United States..... do.....	70,238,803.50	73,738,803.50
Total on deposit in United States..... pesos..	140,477,607.00	147,477,607.00
Cash balance—total assets..... do.....	158,892,607.00	162,078,886.00
Liabilities and surplus:		
Reserve for outstanding Treasury certificates..... do.....	158,892,607.00	162,078,886.00
TOTAL CURRENCY RESERVES		
Cash surplus in Exchange Standard Fund..... pesos..	50,800,167.77	48,357,091.83
Cash balance in Treasury Certificate Fund..... do.....	158,892,607.00	162,078,886.00
Total reserves..... do.....	209,692,774.77	210,435,977.83
Exchange Standard Fund ratio:		
Cash surplus in exchange standard fund..... do.....	50,800,167.77	48,357,091.83
Government circulation (total of coins and Treasury certificates in circulation and available for circulation)..... pesos..	178,697,589.91	184,736,126.63
Ratio of cash surplus in exchange standard fund to Government circulation (minimum legal limit, 15 percent)..... percent..	28.4	26.2
Revertible from cash surplus in exchange standard fund to general fund (excess over 25 percent of Government circulation)..... pesos..	6,125,770.29	2,173,060.17
Total reserve ratio:		
Total reserves..... do.....	209,692,774.77	210,435,977.83
Net circulation in hands of the public..... do.....	150,214,069.43	162,885,872.24
Ratio of total reserves to net circulation..... percent..	140.0	129.2

¹ From reports of the Treasurer of the Philippines.

BANKING

As of June 30, 1940, there were 18 banking institutions in the Philippines. Twelve, including 3 Government institutions, are domestic banks and the remaining 6 are branches of foreign banks. The Philippine Postal Savings Bank and the Agricultural and Indus-

TABLE 35.—*Abridged financial statements of individual banks as of June 30, 1940, with comparative totals*

Banks	Assets					Liabilities	
	Cash	Loans, discounts, and overdrafts	Stocks, bonds, and other securities	Due from banks	Other assets	Capital stock	
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	
United States national bank: National City Bank of New York	7, 113, 617. 18	17, 013, 335. 23	3.00	11, 691, 339. 99	687, 372. 37		
Philippine Government-owned banks: Philippine National Bank	15, 996, 032. 46	83, 397, 602. 55	24, 122, 117. 19	12, 671, 773. 86	7, 925, 935. 07	10, 000, 000. 00	
Philippine Postal Savings Bank	1, 920, 620. 56	18, 842, 545. 61	13, 428, 734. 50	23, 867, 768. 88	109, 496. 73	370, 161, 732. 61	
Agricultural & Industrial Bank	12, 639, 601. 10	34, 289, 573. 73			1, 621, 962. 73		
Total	30, 576, 274. 12	117, 687, 176. 28	56, 393, 397. 30	36, 539, 512. 74	9, 657, 414. 53	80, 161, 732. 61	
Domestic banks and trust companies: Bank of the Philippine Islands	7, 684, 780. 22	23, 909, 921. 95	811, 577. 30	3, 105, 352. 30	2, 929, 932. 46	6, 750, 000. 00	
Philippine Trust Co.	937, 263. 78	7, 192, 267. 42	1, 561, 431. 10	988, 998. 90	495, 734. 95	1, 000, 000. 00	
China Banking Corporation	2, 940, 950. 44	7, 602, 998. 49	605, 103. 86	11, 151, 739. 87	11, 178, 582. 75	5, 713, 300. 00	
Peoples Bank & Trust Co.	2, 438, 775. 00	5, 533, 512. 76	1, 131, 078. 71	1, 272, 879. 60	889, 398. 40	1, 090, 000. 00	
Philippine Bank of Commerce	495, 902. 01	1, 629, 733. 27		777, 779. 77	733, 093. 93	611, 800. 00	
Philippine Bank of Communications	3, 630, 829. 55	710, 503. 67	347, 149. 50	2, 592, 347. 95	795, 276. 88	2, 000, 000. 00	
Bank of the Commonwealth	74, 403. 37	712, 137. 34		43, 818. 70	73, 234. 36	500, 000. 00	
Total	18, 202, 904. 37	47, 291, 079. 90	4, 506, 340. 47	19, 932, 917. 18	17, 095, 553. 73	17, 575, 100. 00	
Domestic savings and mortgage banks: Monte de Piedad & Savings Bank	446, 253. 31	5, 585, 226. 35	1, 031, 651. 13	957, 514. 98	2, 742, 242. 46		
Banco Hipotecario de Filipinas	2, 199. 22	669, 580. 01		173, 291. 31	23, 144. 32	852, 800. 00	
Total	448, 452. 53	6, 255, 806. 36	1, 031, 651. 13	1, 135, 806. 29	2, 765, 386. 78	852, 800. 00	
Foreign banks: Chartered Bank of India, Australia & China	2, 523, 242. 95	11, 671, 578. 09		2, 952, 844. 53	6, 144, 177. 51	1, 000, 000. 00	
Hongkong & Shanghai Banking Corporation	2, 733, 395. 45	30, 815, 377. 11	307, 156. 61	452, 157. 85	4, 603, 349. 51		
Yokohama Specie Bank, Ltd.	668, 677. 75	7, 493, 518. 20		1, 823, 832. 07	264, 415. 63		
Nederlandsch Indische Handelsbank, N. V.	20, 354. 94	1, 929, 415. 30		1, 085, 312. 83	951, 910. 88	590, 000. 00	
The Bank of Taiwan, Ltd.	126, 766. 71	1, 006, 015. 68		934, 181. 62	112, 496. 78	590, 000. 00	
Total	6, 312, 437. 81	61, 916, 104. 98	307, 156. 61	7, 308, 358. 99	12, 079, 350. 31	2, 090, 000. 00	
Total, excluding the Philippine Postal Savings Bank and the Agricultural & Industrial Bank, as of June 30, 1940	48, 073, 404. 35	215, 876, 129. 02	29, 907, 218. 40	52, 740, 738. 55	40, 553, 848. 26	30, 427, 930. 00	

Total, excluding the Philippine Postal Savings Bank, as of June 30, 1939.....	60,963,256.59	203,469,107.04	41,516,754.16	54,741,109.15	35,819,628.65	27,263,300.00
Increase (or decrease).....	(12,389,792.24)	12,407,021.98	(11,549,485.76)	(2,000,310.60)	4,734,219.61	3,164,600.00
Total, all banks, as of June 30, 1940.....	62,653,686.01	250,165,702.75	62,238,548.51	76,608,567.43	42,285,307.72	100,589,632.61
Total, all banks, as of June 30, 1939.....	62,586,992.56	203,469,107.04	59,311,442.31	54,748,148.28	33,917,577.52	27,263,300.00
Increase (or decrease).....	66,693.45	46,696,595.71	2,927,106.20	21,860,419.15	6,367,730.20	73,326,332.61

¹ Total of all items under "Investment and securities."

² Due from banks and National Treasury.

³ Includes ₱45,161,732.61 as "principal" pertaining to Government investments funds.

Sources: Philippine Postal Savings Bank and Agricultural and Industrial Bank data from annual reports of the Auditor General and the Agricultural and Industrial Bank; for all other banks from reports of the Bank Commissioner.

TABLE 35.—*Abridged financial statements of individual banks as of June 30, 1940, with comparative totals—Continued*

Banks	Liabilities—Continued						Total assets/ liabilities
	Surplus, re- serves, and un- divided profits	Individual demand de- posits	Savings and time deposits	Deposits of public funds	Due to banks	Other liabilities	
	Pesos	Pesos	Pesos	Pesos	Pesos	Pesos	Pesos
United States national bank: National City Bank of New York.....	79,660.65	13,590,282.56	11,073,070.19		9,015,854.63	2,749,799.74	36,508,667.77
Philippine Government-owned banks: Philippine National Bank.....	16,791,689.82	15,747,330.38	19,638,893.63	62,978,348.43	5,741,802.16	13,215,466.71	144,113,531.13
Philippine Postal Savings Bank.....	3,313,053.44		15,955,921.62			1,603,687.84	20,872,662.90
Agricultural & Industrial Bank.....	8,294,148.01					7,411,760.32	85,867,640.94
Total.....	28,398,891.27	15,747,330.38	35,594,815.25	62,978,348.43	5,741,802.16	22,230,914.87	250,853,834.97
Domestic banks and trust companies: Bank of the Philippine Islands.....	3,300,031.21	8,484,963.19	15,701,943.90	283,876.01	1,118,469.51	2,802,310.41	38,441,594.23
Philippine Trust Co.....	633,192.72	2,995,291.30	6,343,190.43		35,406.27	168,615.52	11,175,696.24
China Banking Corporation.....	4,173,926.50	5,343,446.93	9,116,717.15		5,491,725.17	3,641,529.66	33,479,645.41
Peoples Bank & Trust Co.....	311,403.67	5,397,070.55	4,174,977.04		105,791.24	326,401.97	11,315,644.47
Philippine Bank of Commerce.....	38,305.69	1,767,519.76	937,732.23		83,607.55	197,543.75	3,636,508.98
Philippine Bank of Communications.....	176,487.18	562,750.70	4,433,304.46		339,341.95	564,228.26	8,076,112.55
Bank of the Commonwealth.....		117,469.31	256,140.57		24,004.22	5,979.67	903,593.77
Total.....	8,633,346.97	24,667,511.74	40,964,005.78	283,876.01	7,198,345.91	7,706,609.24	107,028,795.65
Domestic savings and mortgage banks: Monte de Piedad & Savings Bank.....	1,152,120.24		8,898,540.23			713,227.06	10,763,887.53
Banco Hipotecario de Filipinas.....			15,917.71			4,500.18	873,217.89
Total.....	1,152,120.24		8,914,457.94			717,727.24	11,637,105.42
Foreign banks: Chartered Bank of India, Australia & China.....		7,793,156.48	4,238,798.53		4,900,964.20	6,358,924.47	23,291,843.68
Hongkong & Shanghai Banking Corporation.....	250,000.00	8,100,975.01	5,623,099.48		30,842,394.87	2,145,257.18	47,961,636.54
Yokohama Specie Bank, Ltd.....		591,456.47	2,332,941.83		6,519,981.02	815,064.33	10,250,443.65
Nederlandsche Indische Handelsbank, N. V.....	4,324.66	813,510.14	156,636.51		2,942,693.36	363,859.28	4,780,023.95
The Bank of Taiwan, Ltd.....		177,423.43	116,508.84		728,944.11	116,884.41	1,639,460.79
Total.....	254,324.66	17,476,521.53	12,458,895.19		45,934,977.56	9,798,689.67	87,923,408.61
Total, excluding the Philippine Postal Savings Bank and the Agricultural & Industrial Bank, as of June 30, 1940.....	26,911,142.34	71,481,046.21	93,049,322.73	63,262,224.44	67,890,980.26	34,188,292.60	387,211,508.58

Total, excluding the Philippine Postal Savings Bank, as of June 30, 1939-----

Increase (or decrease)-----

Total, all banks, as of June 30, 1940-----

Total, all banks, as of June 30, 1939-----

Increase (or decrease)-----

25,392,300.19	75,597,209.20	88,674,098.69	80,273,768.60	57,118,576.58	42,190,602.33	396,509,855.59
1,518,842.15	(4,115,562.99)	4,375,224.04	(17,011,544.16)	10,772,403.68	(8,002,309.73)	(9,298,347.01)
38,518,343.79	71,481,646.21	109,005,244.35	63,262,224.44	67,890,980.26	43,203,740.76	493,951,812.42
27,920,667.79	75,597,209.20	104,285,440.49	80,273,768.60	57,118,576.58	43,574,305.05	416,033,287.71
10,597,676.00	(4,115,562.99)	4,719,803.86	(17,011,544.16)	10,772,403.68	(370,554.29)	77,918,544.71

trial Bank, both of which are Government-owned, are not operated along commercial lines.

Approximately 68 percent of the total assets of banks engaged in commercial banking (including the Government-owned Philippine National Bank) was accounted for by domestic banks and the remainder by the branches of foreign banks operating in the Philippines.

The Agricultural and Industrial Bank, a Government-owned institution, and two other domestic banks, the Philippine Bank of Communications, and the Banco Hipotecario de Filipinas, which is intended gradually to absorb the activities of the "La Urbana" building and loan association, opened during the period under review. The Savings Bank of the Commonwealth, to which reference was made in the Third Annual Report of the High Commissioner, was converted into a commercial bank and its name changed to Bank of the Commonwealth. The following table shows all 18 banks with indication of their total assets as officially reported:

Banks	Assets as of June 30, 1940
United States National Bank:	<i>Pesos</i>
National City Bank of New York.....	36, 508, 667. 77
Philippine Government-owned banks:	
Philippine National Bank.....	¹ 144, 113, 531. 13
Philippine Postal Savings Bank.....	² 20, 872, 662. 90
Agricultural and Industrial Bank.....	85, 867, 640. 94
Domestic banks and trust companies:	
Bank of the Philippine Islands.....	38, 441, 594. 23
Philippine Trust Co.....	11, 175, 696. 24
China Banking Corporation.....	33, 479, 645. 41
Peoples Bank & Trust Co.....	11, 315, 644. 47
Philippine Bank of Commerce.....	3, 636, 508. 98
Philippine Bank of Communications.....	8, 076, 112. 55
Bank of the Commonwealth.....	903, 593. 77
Domestic savings and mortgage banks:	
Monte de Piedad & Savings Bank.....	10, 763, 887. 53
Banco Hipotecario de Filipinas.....	873, 217. 89
Foreign banks:	
Chartered Bank of India, Australia, and China.....	23, 291, 843. 68
Hongkong & Shanghai Banking Corporation.....	47, 961, 636. 54
Yokohama Specie Bank, Ltd.....	10, 250, 443. 65
Nederlandsch Indische Handelsbank, N. V.....	4, 780, 023. 95
The Bank of Taiwan, Ltd.....	1, 639, 460. 79
Total.....	493, 951, 812. 42

¹ Due to adjustment of certain items, this figure is somewhat different from that of the auditor of the Philippine National Bank as reported elsewhere herein.

² P15,404,814.44 represents Postal Savings Bank funds entrusted to the Agricultural and Industrial Bank for investment which are also carried as assets and/or liabilities in the latter's accounts.

The banking system of the Philippines passed through the fiscal year ended June 30, 1940, including the first 9 months of the war with its attendant economic disturbances, without extreme difficulty. Owing to the predominant importance of foreign trade in the economy of the country, the financing of exports and imports constitutes a major part of the banking business of the country. Disruption of trade with Europe and other shifts in commerce affected the business of banks specializing in the financing of trade with certain countries.

Considerable sums were withdrawn from the deposits of British banks as a result of the unfavorable war news in the spring and summer of 1940. Toward the end of the period under review credit was tending to become tight and the banks as a whole were in a less liquid condition than at the beginning of the fiscal year. Their reserves, however, continued well in excess of the amounts required by law. The legitimate credit requirements of business were met in a generally satisfactory manner and the banks enjoyed a reasonably profitable year.

The freezing by the United States Government of funds and property belonging to the invaded countries and their nationals had no appreciable effect on banking operations in the period covered by this report. Although the first regulations governing this matter were issued in April 1940, they were not actually operative in the Philippines until early June 1940 and affected only a small proportion of the business of the banks as a whole. The business of the Nederlandsch Indische Handelsbank, which is a branch of a Netherlands bank, was temporarily restricted, but by a general license of the Treasury Department issued on May 31 was authorized, subject to minor limitations, to engage in ordinary business transactions.

The total assets of all banks in the Philippines increased from ₱416,033,267.71 at the beginning of the fiscal year under review to ₱493,951,812.42 at the end. This increase, however, was attributable largely to the establishment of the Agricultural and Industrial Bank with assets, on June 30, 1940, amounting to ₱85,867,640.94 as shown on table 35. As noted elsewhere in this report, this bank was capitalized partly from funds derived from the coconut oil tax and partly from the following special investments funds:

- Agricultural Cooperative Fund.
- Friar Lands Loan Fund.
- Government Service Insurance Investment Fund.
- Land Title Assurance Fund.
- Loan Fund.
- Municipal Loan Fund.
- National Public Markets, Slaughterhouses and Waterworks Revolving Fund.
- Philippine Postal Savings Bank Fund.
- Private Surveyors Loan Fund.
- Property Insurance Fund.
- San Lazaro Loan Fund.
- Teachers' Retirement and Disability Fund.

Assets of institutions engaged in commercial banking, that is, excluding the Agricultural and Industrial Bank and the Postal Savings Bank, registered a slight decline from ₱396,509,855.59 on June 30, 1939, to ₱387,211,508.58 on June 30, 1940. The establishment of the Philippine Bank of Communications and the Banco Hipotecario de Filipinas with combined assets, on June 30, 1940, of ₱8,949,330.44 offset, in part, a decline in the aggregate assets of the other institutions engaged in commercial banking; otherwise the assets of such banks would have decreased ₱18,247,677.45. A comparison of the consolidated balance sheets, as of June 30, 1939, and June 30, 1940, respectively, of all Philippine banks is shown in table 35.

Individual asset accounts of "all banks," as listed in table 35, recorded increases due largely to the addition of the assets of the new Agricultural & Industrial Bank. For the same reason, the corre-

sponding liabilities accounts were increased. Bank activities during the period under consideration, were featured by a general rise in loans, discounts, and overdrafts, with deposits as a whole, and holdings of stocks, bonds, and other securities, declining. Total bank debits to individual accounts were practically the same in the fiscal year 1940 as in the preceding 12 months.

The tendency for loans, discounts, and overdrafts to move in the same direction as deposits, which characterizes the operations of American banks, does not appear to exist in the Philippines. Among the factors which contribute to this result is the fact that bank loans in the Philippines are not generally granted through a deposit credit. Commercial loans usually are in the form of an overdraft secured by collateral required by the bank. The overdraft usually represents the amount required by the borrower immediately and little or none is left in deposit for any appreciable length of time. To a considerable extent bank loans granted by the domestic banks are withdrawn by the borrower in the form of cash.

Loans, discounts and overdrafts, which have shown an upward trend since 1938, increased by ₱12,407,021.98 and at the end of the fiscal year under review had reached an all time high. The greater part of the increase was accounted for by domestic banks. This is likewise true of the decrease in bank holdings of stocks, bonds, and other securities.

The following statement shows outstanding loans, discounts, and overdrafts and holdings of stocks, bonds, and other securities at the end of the fiscal year 1940 compared with the preceding year:

	Total loans, discounts, and overdrafts	
	June 30, 1940 (10 banks)	June 30, 1939 (8 banks)
Domestic banks.....	<i>Pesos</i> 136,944,488.81 (6 banks)	<i>Pesos</i> 127,121,426.53 (6 banks)
Foreign banks.....	78,931,640.21	76,347,680.51
Total.....	215,876,129.02	203,469,107.04
	Stocks, bonds, and other securities	
	June 30, 1940	June 30, 1939
Bonds, notes, and debentures:	<i>Pesos</i>	<i>Pesos</i>
United States Government bonds.....	7,388,516.19	14,772,608.38
United States State and municipal bonds.....	2,972,059.12	8,897,635.56
Philippine Government bonds.....	15,923,614.83	14,797,326.60
Bonds of domestic corporations.....	212,800.00	519,800.00
Bonds of foreign corporations.....	188,950.39	139,904.17
Stocks and corporate certificates:		
Domestic corporations.....	3,242,793.11	1,971,126.69
Foreign corporations.....	17,326.49	58,678.87
Other securities and exchange adjustment.....	21,208.27	309,673.89
Total.....	29,967,268.40	41,516,754.16
Domestic banks.....	29,660,108.79	41,171,770.22
Foreign banks.....	307,159.61	344,983.94

The continued expansion of loans, discounts and overdrafts coincident with a decline in cash and other reserves indicated a tendency toward illiquidity and reflected a rather tight credit situation which existed in the middle and latter part of 1940. At the end of June, however, the cash in hand in banks exceeded substantially the reserve required by law. This is shown by the following table which shows the relationships between cash and demand deposits of all commercial banks on June 29, 1940, and July 1, 1939.

With large excesses over legal reserve requirements, the cash position of the banking system remained strong, as evidenced by the following statement:

	June 29, 1940	July 1, 1939
	<i>Pesos</i>	<i>Pesos</i>
Total demand deposits.....	95,004,000	113,400,000
Required reserve 18 percent.....	17,101,000	20,414,000
Total cash on hand.....	48,371,000	61,118,000
Excess of cash on hand over required reserve.....	31,270,000	40,704,000
Ratio of excess cash over required reserve (percent).....	183	199

Compared with previous dates, the ratios of total liquid assets, loans, discounts and overdrafts, and investments, to total deposits, as of June 29, 1940, were as follows:

	Total liquid assets ¹ to total deposits	Loans, discounts, and overdrafts to total deposits	Investments (stocks, bonds, etc.) to total deposits
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
June 29, 1940.....	28	105	14
July 1, 1939.....	32	89	17
Dec. 29, 1938.....	36	87	21
Dec. 29, 1937.....	33	82	26
Jan. 2, 1937.....	33	74	27
Dec. 28, 1935.....	38	66	42

¹ Cash plus net receivable from overseas banks.

It is interesting to note that, in spite of troubled economic conditions, local bank operations were generally profitable. Surplus, reserves, and undivided profits advanced from ₱25,392,300.19 on June 30, 1939, to ₱26,911,142.34 on June 30, 1940, and certain institutions were even able to declare and pay more dividends than they did in the previous period. The Philippine National Bank realized a net operating profit of ₱2,637,369.84, which was applied as a rehabilitation payment to the Government under the provisions of Act 3174 to repay losses sustained by the Government as a result of the collapse of the bank after the first World War.

Exchange transactions of banks during the fiscal year ended June 30, 1940, were generally characterized by the continued strength of the dollar. As indicated in table 36, purchases of dollar exchange by banks for the period from July 2, 1939, to June 29, 1940, totaled ₱318,243,496, an increase of ₱14,917,507 over the previous period, from July 3, 1938, to July 1, 1939; sales totaled ₱416,555,725, an increase of ₱43,060,591. For the period ended June 29, 1940, sales exceeded purchases by ₱98,312,229, and, for the preceding period, by ₱70,169,145.

Exchange sales by the Bureau of the Treasury from the Exchange Standard Fund during the fiscal year ended June 30, 1940, amounted to ₱53,120,979.54 and compares with ₱45,325,827.74 for the period from July 1, 1938, to June 30, 1939. About 85 percent of the 1939-40 sales and 72 percent of the 1938-39 sales were to banking institutions and the balance to Government bureaus and offices.

The resort to the Treasury for exchange is believed to have reflected a need for dollar exchange to pay for an excess of imports over exports. Also, the disturbed international situation and approaching independence of the Philippines is said to have caused some shift of capital to the United States. Relatively large sales of exchange by the Treasury to banking institutions occurred following the release of coconut oil excise tax funds in 1938. No such sales were effected in 1935, 1936, and 1937.

TABLE 36.—*Statement showing bank debits to individual accounts and exchange transactions for the periods stated*

Details	July 2, 1939, to June 29, 1940	July 3, 1938, to July 1, 1939
	<i>Pesos</i>	<i>Pesos</i>
Bank debits to individual accounts ¹	2, 145, 390, 892. 00	2, 152, 343, 673. 00
Exchange transactions by banks: ¹		
Bought.....	318, 243, 496. 00	303, 325, 989. 00
Sold.....	416, 555, 725. 00	373, 495, 134. 00
Net sold.....	98, 312, 229. 00	70, 169, 145. 00
	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
	<i>Pesos</i>	<i>Pesos</i>
Exchange transactions by Bureau of the Treasury: ²		
Bought.....		
Sold.....	53, 120, 979. 54	45, 325, 827. 74
Net sold.....	53, 120, 979. 54	45, 325, 827. 74

¹ Taken from fortnightly reports of the Bank Commissioner.

² Taken from reports of the Treasurer of the Philippines.

DOMESTIC BANKS

In order to show separately the condition of domestic banks and branches of foreign banks operating in the Philippines, consolidated balance sheets of the two groups are shown in tables 37 and 38 respectively. As indicated in table 37, total assets of domestic banks, in spite of the creation of two new institutions during the period covered by this report, declined from ₱275,098,583.14 on June 30, 1939, to ₱262,779,432.20 on June 30, 1940, thus reversing previous trends. Cash on hand on June 30, 1940, was ₱17,381,863.46 less than a year earlier. This decrease, which would have amounted to ₱21,014,892.23 except for additional cash of the two new banks, was largely due to withdrawals from certain banks of deposits of public funds. Loans, discounts and overdrafts increased ₱9,823,062.28, including about ₱1,400,000 of the new Bank of Communications and the Banco Hipotecario de Filipinas. Stocks, bonds, and other securities decreased ₱11,511,661.43. It was reported that, owing to the need of funds for more remunerative uses there was a tendency for banks not to replace maturing bonds. It appears that a substantial proportion of the proceeds of these bonds was used to increase

loans, discounts and overdrafts. An increase of ₱4,226,175.07 in due from banks (over ₱2,500,000 of which being for the new Bank of Communications) was almost entirely offset by an increase in due to banks.

The aggregate capital stock of domestic banks was increased ₱3,164,600; ₱2,000,000 was accounted for by the new Philippine Bank of Communications and ₱852,800 by the new Banco Hipotecario de Filipinas. The capital of the Bank of the Commonwealth was increased ₱300,000 and the Philippine Bank of Commerce ₱11,800. Almost all of the domestic banks contributed to the increase of ₱1,325,493.58 in surplus, reserves, and undivided profits. A drop of ₱3,116,739.64 in individual demand deposits was more than offset by an increase of ₱7,919,090.92 in savings and time deposits, the net increase being accounted for largely by the new Bank of Communications. It is believed that unsatisfactory business developments, which lessened the need for deposits subject to check, led to a transfer of funds from demand to savings and time deposits. According to the bank commissioner, the adjustment of various contingent accounts was responsible for the substantial decline in other liabilities.

The Mercantile Bank of China, which failed in 1931, continued under receivership on June 30, 1940. As of that date, a total of ₱1,189,500.60 had been paid to preferred and ordinary claimants. Its operation during the fiscal year 1939-40 showed an excess of expenditures over receipts by more than ₱100,000.

TABLE 37.—*Consolidated balance sheets of domestic banks, inclusive of their branches and agencies as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940 (10 banks)	June 30, 1939 (8 banks)
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	34,647,409.36	52,029,272.82
Loans, discounts, and overdrafts.....	136,944,488.81	127,121,426.53
Stocks, bonds, and other securities.....	29,660,108.79	41,171,770.22
Due from banks.....	33,740,499.65	29,514,324.59
Other assets.....	27,786,925.58	25,261,788.98
Total assets.....	262,779,432.20	275,098,583.14
Liabilities:		
Capital stock.....	28,427,900.00	25,263,300.00
Surplus, reserves, and undivided profits.....	26,577,157.03	25,251,663.45
Individual demand deposits.....	40,414,842.12	43,531,581.76
Savings and time deposits.....	69,517,357.35	61,598,266.43
Deposits of public funds.....	63,262,224.44	80,273,768.60
Due to banks.....	12,940,148.07	8,849,357.89
Other liabilities.....	21,639,803.19	30,330,645.01
Total liabilities.....	262,779,432.20	275,098,583.14

¹ Taken from reports of the Bank Commissioner and do not include the Philippine Postal Savings Bank and the Agricultural and Industrial Bank.

FOREIGN BANKS

The total assets of foreign banks continued to increase, although moderately, from ₱121,411,272.45 on June 30, 1939, to ₱124,432,076.38 on June 30, 1940. Cash at the end of the period was up ₱4,492,071.22 and loans, discounts, and overdrafts up ₱2,583,959.70. Holdings of stocks, bonds, and other securities were slightly smaller. The item due from banks decreased ₱6,226,485.67. The aggregate capital stock of

foreign banks remained the same, but surplus, reserves, and undivided profits stood at ₱333,985.31 on June 30, 1940, as compared with ₱140,636.74 on June 30, 1939. Individual demand deposits decreased ₱998,823.35 and savings and time deposits ₱3,543,866.88. The two British banks, the Hongkong and Shanghai Banking Corporation and the Chartered Bank of India, Australia, and China, sustained practically the entire loss of nearly ₱3,900,000 in individual demand deposits, and ₱4,700,000 in savings and time deposits. This development is believed to have been a result of the war and the decline in deposits of the British banks was to a considerable extent offset by increases in deposits in other banks, notably the National City Bank of New York, which increased its demand deposits ₱2,800,000 and its savings and time deposits ₱1,400,000.

TABLE 38.—*Consolidated balance sheets of branches of foreign banks, inclusive of their subagencies as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940 (6 banks)	June 30, 1939 (6 banks)
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	13,426,054.99	8,933,983.77
Loans, discounts, and overdrafts.....	78,931,640.21	76,347,680.51
Stocks, bonds, and other securities.....	307,159.61	344,983.94
Due from banks.....	19,000,298.89	25,226,734.56
Other assets.....	12,766,922.68	10,557,839.67
Total assets.....	124,432,076.38	121,411,272.45
Liabilities:		
Capital stock (assigned).....	2,000,000.00	2,000,000.00
Surplus, reserves, and undivided profits.....	333,985.31	140,636.74
Individual demand deposits.....	31,066,804.09	32,065,627.44
Savings and time deposits.....	23,531,965.38	27,075,832.26
Deposits of public funds.....		
Due to banks.....	54,950,832.19	48,269,218.69
Other liabilities.....	12,548,489.41	11,859,957.32
Total liabilities.....	124,432,076.38	121,411,272.45

¹ Taken from reports of the Bank Commissioner.

BUILDING AND LOAN ASSOCIATIONS

The nine building and loan associations doing business in the Philippines during the period under review and their total assets as of June 30, 1940, are shown below:

	<i>Assets as of June 30, 1940 (Pesos)</i>
El Hogar Filipino.....	5,568,393.28
Cebu Mutual Building & Loan Association.....	2,077,995.60
La Urbana.....	1,493,332.29
Manila Building & Loan Association.....	881,613.54
La Previsora Filipina.....	960,684.21
El Ahorro Insular.....	811,927.23
Zamboanga Mutual Building & Loan Association.....	536,667.19
La Salvacion.....	558,236.36
The Helpers, Cebu.....	155,670.43
Total assets.....	13,044,520.13

The aggregate assets of these associations have been steadily declining since 1933 when a collapse of real-estate values led to financial difficulties. The competition of the Government and other banking institutions in the field of long-term credits was doubtless another factor in causing building and loan associations to lose ground.

PHILIPPINE NATIONAL BANK

The Philippine National Bank is owned almost entirely by the Commonwealth Government. In addition to its capital, the bank receives relatively large deposits of Government funds. Its operations are closely related to the fiscal policies of the Commonwealth Government. By section 1110 of the Administrative Code, provinces are required to deposit their surplus funds with the Philippine National Bank.

During the fiscal year 1940 the Commonwealth Government reduced its demand deposits with the Philippine National Bank by ₱21,741,-947.52 (from ₱2,696,563.35 to an overdraft of ₱19,045,384.17). This reduction is partly reflected in a decrease of cash from ₱32,533,-398.76 on June 30, 1939 to ₱16,064,866.52 on June 30, 1940. Also, holdings of United States Government bonds were reduced from ₱14,551,006.40 to ₱7,351,000, and United States State, municipal, and other (Canadian) bonds, from ₱8,752,000 to ₱2,890,000. Largely as a result of the withdrawal of Government deposits the total resources of the bank declined from ₱166,911,692.81 on June 30, 1939, to ₱143,734,788.80 on June 30, 1940.

As mentioned elsewhere in this report, the Commonwealth Government maintained on deposit in the United States Treasury substantially relatively large amounts of collections of the coconut oil excise tax. It is believed that the Commonwealth overdrew its demand deposits with the Philippine National Bank while maintaining relatively large deposits in the United States Treasury partly because the former are noninterest bearing while the latter yield a small interest. Also, the establishment of the Agricultural and Industrial Bank provided facilities for certain types of business which might otherwise have been handled by the Philippine National Bank thus lessening the need of the latter for funds.

With gross operating income and total operating expenditures for the fiscal year ending June 30, 1940, approximating the figures for the year ending June 30, 1939, net profits were ₱2,637,369.84 for the fiscal year 1939-40, as compared with ₱2,980,268.85 for the previous fiscal year. These profits include net recoveries on charged-off assets, etc.

The bank's net worth increased by ₱20,407.56 from ₱26,771,282.26 on June 30, 1939, to ₱26,791,689.82 on June 30, 1940, exclusive of the profit of ₱2,637,369.84 above stated which was taken up in the account "Due to Treasurer of the Philippines under Act 3174," to the credit of the National Government, pursuant to the provisions of the Rehabilitation Act. During the year the National Government repurchased a share of stock at par value from a private stockholder, leaving an outstanding balance of ₱125,300 worth of shares in hands of private parties out of the original amount of ₱2,880,000, and increasing the Government investment to ₱9,874,700.

A statement showing the status of the Rehabilitation account as of June 30, 1940, is presented on table 41. As of June 30, 1940, the accumulated credits to the Commonwealth Government under the terms of the Rehabilitation Act amounted to ₱34,184,911.96. On this date, the bank had actually repaid to the Government ₱29,663,-473.23, leaving a balance of ₱4,521,438.73 due to the Government. This figure is carried by the bank in an account captioned "Due to

Treasurer of the Philippines under Act 3174." As of June 30, 1940, the unpaid balance on advances made by the Government to the bank under the terms of the act amounted to ₱27,767,019.79.

Tables 39 and 40 present condensed balance sheets of the bank as of June 30, 1939, and June 30, 1940, and profit and loss statement for the corresponding periods.

TABLE 39.—*Condensed balance sheets of the Philippine National Bank as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Resources:		
Cash and due from banks:	<i>Pesos</i>	<i>Pesos</i>
Cash, including cash items	16,064,866.52	32,533,398.76
Circulation reserve with United States banks	2,500,000.00	2,500,000.00
Due from other banks	8,861,407.19	12,229,390.77
Total cash and due from banks	27,426,273.71	47,262,789.53
Bond investments:		
Philippine Islands Government bonds	12,215,350.00	11,866,150.00
United States Government bonds	7,351,000.00	14,551,006.40
State, municipal, and other bonds (United States and Canadian)	2,890,000.00	8,752,000.00
Bond premiums	67,248.24	174,636.59
Total bond investments	22,523,598.24	35,343,792.99
Other investments	1,598,518.95	165,569.00
Loans and discounts:		
Bankers' acceptances, import, etc.	14,088,758.37	12,984,120.97
Real estate mortgage loans	9,484,837.16	11,496,890.51
Other loans	61,377,741.51	56,524,707.77
Total loans and discounts	84,951,337.04	81,005,719.25
Other assets	7,235,060.86	3,133,822.04
Total resources	143,734,788.80	166,911,692.81
Liabilities:		
Capital, paid-up	10,000,000.00	10,000,000.00
Surplus, reserve, and undivided profits	16,791,689.82	16,771,282.26
Net worth	26,791,689.82	26,771,282.26
Deferred profits	3,726,919.94	3,900,753.07
Deposits:		
Government ²	33,314,334.18	54,090,929.60
Semigovernment ³	29,664,014.25	25,434,812.22
Individual	35,386,224.01	39,063,310.11
Due to banks	5,741,802.16	2,642,345.49
Due to Treasurer of the Philippines under Act 3174	4,521,438.73	11,285,247.20
Other deposits	2,190,828.45	1,368,830.88
Total deposits	110,818,641.78	133,885,475.50
Other liabilities	2,397,537.26	2,354,181.98
Total liabilities	113,216,179.04	136,239,657.48

¹ Taken from reports of the Auditor for the Philippine National Bank.

² Chiefly national and provincial governments.

³ Chiefly Government corporations.

TABLE 40.—*Condensed statement of profit and loss of the Philippine National Bank for the 12-month period ended June 30, 1939, and fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
Earnings:	<i>Pesos</i>	<i>Pesos</i>
Interest on loans and discounts.....	3,968,768.84	4,082,588.66
Interest on bonds.....	815,701.12	1,068,780.32
Other operating income.....	1,843,622.85	1,763,061.15
Total earnings.....	6,628,092.81	6,914,430.13
Expenses:		
Interest on deposits.....	1,374,507.86	1,359,490.40
Taxes.....	1,080,000.00	1,080,000.00
Salaries, directors' fees, etc.....	1,147,190.91	1,003,047.87
Other operating expenses.....	814,298.09	918,800.40
Total expenses.....	4,415,996.86	4,361,338.67
Net operating profit.....	2,212,095.95	2,553,091.46
Add—Net recoveries on charged-off assets, etc.....	425,273.89	427,177.39
Net profit.....	2,637,369.84	2,980,268.85

¹ Taken from reports of the auditor for the Philippine National Bank.TABLE 41.—*Statement of rehabilitation payments to the Government by the Philippine National Bank to end of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
	<i>Pesos</i>	<i>Pesos</i>
Total repayment during the year.....	² 2,696,845.24	2,980,268.85
Plus—Repayments of former years.....	31,488,066.72	28,507,797.87
Repayments to date.....	34,184,911.96	31,488,066.72
Balance due.....	27,767,019.79	30,463,865.03
Total repayments to be made.....	61,951,931.75	61,951,931.75

¹ Taken from reports of the auditor for the Philippine National Bank.² P2,637,369.84 represents the net profit for the period and P59,475.40 the write-up of the value of the bodega of the Manila Oil Co.

AGRICULTURAL AND INDUSTRIAL BANK

This bank, which was organized under the provisions of Commonwealth Act 459, approved June 9, 1939, with a capital stock of P150,000,000, started operations on August 19, 1939. On this date the National Investment Board was considered abolished and all funds, properties, assets, accounts, etc., under its administration, amounting to P47,541,820.53 were transferred as trust funds to the bank. In addition, the bank received from the National Government as initial capital the sum of P25,000,000 from coconut-oil-tax funds. Wishing to maintain closer contact with the people, the bank has temporarily designated the branches of the Philippine National Bank as its agents in the provinces, but it contemplates the establishment in the future of regular branches and agencies. The provincial treasurers are to act as the bank's agents. In accordance with a policy established by the Government, the role of financing long-term loans for agricultural purposes is now devolved upon the Agricultural & Industrial Bank, while the Philippine National Bank concentrates its activities in the commercial sphere.

According to Commonwealth Act 459, above mentioned, the Agricultural & Industrial Bank is empowered, among other things, (1) to grant agricultural, industrial, and real-estate loans; (2) to establish and operate bonded warehouses; (3) to underwrite, purchase, or guarantee agricultural and industrial bonds and bonds secured by real estate used for commercial purposes; (4) to deal in trusts and to manage and administer the funds and properties of the National Investment Board; (5) to issue bonds; and (6) to accept savings and time deposits.

The assets and liabilities of the bank are segregated into those of the "Banking Department" which comprises the agricultural and industrial departments, and those of the "Trust Department" which administers the trust funds.

Total earnings from August 19, 1939, to June 30, 1940, aggregated ₱2,402,398.52, ₱247,818.92 of which was credited to the "Banking Department" and the balance, ₱2,154,579.60, to the "Trust Department." Of the latter amount, over ₱2,000,000 was derived from interest on loans. With total expenses during the same period amounting to ₱644,737.24, ₱379,711.50 from the Banking Department and ₱265,025.74 from the "Trust Department," the result of operation was a loss of ₱131,892.58 for the former and a profit of ₱1,889,553.86 for the latter.

The balance sheet as of June 30, 1940, showed total assets amounting to ₱85,867,640.94 (₱32,153,907.71 Banking Department, and ₱53,713,733.23 Trust Department) as against ₱76,784,015.99 (₱29,253,218.04 Banking Department, and ₱27,530,797.95 Trust Department) on August 19, 1939, or an increase of ₱9,083,624.95.

The increase in the assets of the bank proper was due largely to the extension of loans amounting to about 8 million pesos, of which 7 million was for agricultural purposes and one million for industrial. This was partly offset by a 5 million decrease in Due from National Treasury and banks totaling over 23 million pesos on June 30, 1940. The increase of about 3 million pesos in the account Due to trust funds, bringing it to a total of about 7 million, was mainly responsible for the corresponding increase in liabilities.

In the trust funds accounts, cash increased over 3 million pesos, investments and loans, 1 million and a half each. Of the outstanding loans amounting to ₱26,094,463.12, more than one-half represents loans made to the National Government and other government entities. Reserves decreased by nearly 1 million pesos, but principal account increased over 5 million pesos and surplus 1½ million.

Tables 42 and 43 present condensed balance sheets as of August 19, 1939, and June 30, 1940, together with the corresponding profit-and-loss statement.

TABLE 42.—Condensed balance sheets of the Agricultural and Industrial Bank as of Aug. 19, 1939 (the date of its initial operation), and June 30, 1940¹

Details	June 30, 1940	Aug. 19, 1939
Assets:		
Banking department assets:	<i>Pesos</i>	<i>Pesos</i>
Cash and cash items.....	32,190.15	9,955.81
Due from National Treasury and banks.....	23,867,768.88	29,242,502.25
Accounts receivable.....	4,869.74	709.98
Supplies and materials.....	8,828.05	-----
Equipment, furniture, and fixtures.....	45,040.28	-----
Other.....	100.00	50.00
Loans:		
Agricultural.....	7,012,549.41	-----
Industrial.....	1,182,561.20	-----
	8,195,110.61	-----
Total, banking department assets.....	32,153,907.71	29,253,218.04
Trust department assets:		
Cash.....	12,627,410.95	9,631,928.09
Accounts receivable.....	17,415.60	77,819.61
Investments in bonds and stocks.....	13,428,734.50	11,841,584.50
Loans.....	26,094,463.12	24,298,565.72
Other.....	1,545,709.06	1,680,900.03
Total, trust department assets.....	53,713,733.23	47,530,797.95
Total assets.....	85,867,640.94	76,784,015.99
Liabilities:		
Banking department liabilities:		
Capital.....	25,000,000.00	25,000,000.00
Accounts payable.....	48,121.97	11,022.58
Due to trust funds.....	7,237,678.32	4,242,195.46
Net loss.....	(131,892.58)	-----
Total, banking department liabilities.....	32,153,907.71	29,253,218.04
Trust department liabilities:		
Principal.....	45,161,732.61	39,687,206.05
Surplus.....	4,141,803.99	2,473,262.65
Reserves.....	4,152,344.02	5,211,309.79
Accounts.....	95,768.63	2,769.02
Other.....	162,083.98	156,250.44
Total, trust department liabilities.....	53,713,733.23	47,530,797.95
Total liabilities.....	85,867,640.94	76,784,015.99

¹ Taken from annual reports of the Agricultural and Industrial Bank and the Auditor General.TABLE 43.—Condensed statement of profit and loss of the Agricultural and Industrial Bank for the period from Aug. 19, 1939 (the date of initial operation), to June 30, 1940¹

Details	August 19, 1939-June 30, 1940	
	Banking department	Trust department
Earnings:	<i>Pesos</i>	<i>Pesos</i>
Interest on loans.....	15,173.32	2,034,407.46
Income from trust department.....	229,303.34	-----
Other.....	3,342.26	120,172.14
Total earnings.....	247,818.92	2,154,579.60
Expenses:		
Salaries and Directors' fees.....	256,888.99	2,355.00
Administration.....	-----	229,303.34
Other.....	122,822.51	33,367.40
Total expenses.....	379,711.50	265,025.74
Net operating profit (or loss).....	(131,892.58)	1,889,553.86

¹ Taken from annual reports of the Agricultural and Industrial Bank and the Auditor General.

PHILIPPINE POSTAL SAVINGS BANK

As previously reported, this bank is operated by the Bureau of Posts, but in accordance with Commonwealth Act 459 its investments are now administered by the Agricultural and Industrial Bank.

Total assets increased from ₱19,523,412.12 on June 30, 1939, to ₱20,872,662.90 on June 30, 1940, an increase of ₱1,349,250.78. The important changes appear in investments and securities which rose to ₱18,842,545.61 on June 30, 1940, an increase of ₱1,047,856.46 over the previous period; cash to ₱1,920,620.56, an increase of ₱296,884.59; savings deposits to ₱15,955,921.62, an increase of ₱344,579.82 and surplus to ₱3,313,053.44, an increase of ₱784,685.84. For further details concerning the balance sheet items of this bank see table 42.

RESERVE BANK, ACT 458, APPROVED JUNE 9, 1939

In connection with this bank, attention is invited to the following statement made in the last annual report:

In view of subsequent representations made by the High Commissioner to the effect that Act 458 should have been submitted as bill 1047 to the President of the United States under Section 2 (a) (9) of the Tydings-McDuffie Act, the Second National Assembly on November 14, 1939, passed bill No. 1244 (apparently not numbered as an act) which sought to submit Act 458 as bill 1047 to the President of the United States. Thereafter, on April 19, 1940, the National Assembly passed resolution No. 74, requesting the President of the Philippines to withdraw bills 1047 and 1244 and return them to the Assembly. The effect of resolution 74 is interpreted as a repeal of Act 458.

NATIONAL INVESTMENT BOARD

The National Investment Board, which was established in 1936 under Commonwealth Act No. 7, as amended, was abolished with the creation of the Agricultural and Industrial Bank, under the provisions of Commonwealth Act 459, approved June 9, 1939. Its functions and liabilities were assumed by, and its funds and properties, etc., were transferred to, and administered by, the Agricultural and Industrial Bank. All funds, properties, assets, accounts, etc., as transferred to, and taken over by the said Bank on August 19, 1939, amounted to ₱47,541,820.53 as shown in table 42.

GOVERNMENT SERVICE INSURANCE SYSTEM

The Government Service Insurance System is administered by the Government Service Insurance Board, but its investments are now administered by the Agricultural and Industrial Bank.

The assets comprising the investment fund and the funds of the system proper were increased from ₱7,313,357.84 on June 30, 1939, to ₱12,262,408.79 on June 30, 1940. Out of its total income amounting to about 4 million 5 hundred thousand pesos during the fiscal year under review (4 million being from premiums, of which one-half represents government contributions), approximately 4 million pesos was credited to Surplus and reserves, the remainder being used for settlement of death and disability claims, administrative and other expenses. The rise in assets is reflected mainly in the increase of ₱3,758,618.29 in Investment and Securities and the increase of

₱1,403,844.09 in Accounts receivable. Surplus and reserves advanced from ₱6,600,780.38 on June 30, 1939, to ₱12,181,618.14 on June 30, 1940, or an increase of ₱5,580,837.76.

GOVERNMENT-OWNED COMPANIES AND GOVERNMENT ENTITIES

During the period under review, the government-owned companies continued the expansion of their activities, attention in this connection being invited to comments on pages 92 and 93 of the Second Annual Report for calendar year 1937. As a result of the payment to the Commonwealth of taxes collected in the United States on the processing of Philippine coconut oil, it has been possible to increase very substantially the scope of the activities of government-owned corporations and enterprises. More companies were operated, such as the Agricultural and Industrial Bank, National Footwear Corporation, National Trading Corporation, National Land Settlement Administration, and the National Abaca and Other Fiber Corporation. The total amount of coconut oil tax funds invested in these corporations and enterprises as of June 30, 1940, amounted to ₱69,086,150.50, as follows:

	<i>Pesos</i>
National Development Co.....	20, 095, 550. 50
Textile Mills.....	2, 000, 000. 00
Manila Railroad Co.....	15, 690, 600. 00
Rural Progress Administration.....	1, 500, 000. 00
National Power Corporation.....	250, 000. 00
National Land Settlement Administration.....	2, 000, 000. 00
National Abaca and Other Fiber Corporation.....	2, 550, 000. 00
Agricultural and Industrial Bank.....	25, 000, 000. 00
Total.....	69, 086, 150. 50

The activities of the National Development Co. were outstanding. As of June 30, 1940, its investments in its subsidiaries and other government entities in the form of subscriptions to stocks, advances, and loans approximated ₱28,000,000, which was about ₱4,000,000 more than a year before and about ₱25,000,000 more than on December 31, 1935.

The greater number of the government-owned corporations operated at a loss during the fiscal year ended June 30, 1940. The Manila Railroad Co. lost ₱39,863.49 or ₱785,162.15 if direct credits and charges to "Profit and Loss Account" were considered, the Manila Hotel Co. ₱53,446.79, the National Food Products Corporation ₱115,135.29, the National Footwear Corporation ₱1,960.07, the Textile Mills ₱58,113.40, the Buenavista Farmers' Cooperative Association ₱15,762.71, the National Land Settlement Administration ₱259,874.02, and the National Trading Corporation ₱15,867.47. The Agricultural and Industrial Bank proper lost ₱131,892.58 on its operations which was more than compensated by profits on trust funds business. A number of these organizations were newly organized.

Several government enterprises, however, yielded substantial profits which resulted in a net operating profit for all government-owned corporations and enterprises of more than ₱5,500,000. The Philippine National Bank, as has been noted elsewhere in this report, realized a net operating profit from July 1, 1939, to June 30, 1940, amounting to ₱2,212,095.95. The profits of the Trust Department of the Agriculture and Industrial Bank yielded ₱1,889,553.86, the

National Development Co. (including the Sabani Estate) ₱796,358.72, the Cebu Portland Cement Co. ₱1,076,872.41, the National Rice and Corn Corporation ₱180,376.62, the Insular Sugar Refining Corporation ₱1,142,997.48, and the Rural Progress Administration ₱5,619.25. It should be noted, however, that almost all of the profits of the National Development Co. come from its investments in subsidiaries. As indicated elsewhere in this report, the profit of the Cebu Portland Cement Co. was largely due to the extensive public works program undertaken by the Commonwealth during the period under review.

The operation of the financial institutions owned and controlled by the Government are described in the section on banking in this report. These institutions are the Philippine National Bank, Agricultural and Industrial Bank, Philippine Postal Savings Bank, National Investment Board (which was abolished by the creation of the Agricultural and Industrial Bank under Commonwealth Act 459, approved June 9, 1939) and the Government Service Insurance Board. These institutions are also included in the following table showing the capitalization of all Government-owned corporations and enterprises.

TABLE 44.—*Capital as of June 30, 1940, and comparison of surpluses and reserves as of June 30, 1939, and June 30, 1940, of Government-owned corporations and enterprises*

Government-owned corporations or enterprises	Capital	Surpluses and reserves		
		June 30, 1940	June 30, 1939	Increase (decrease)
	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>	<i>Pesos</i>
Philippine National Bank.....	¹ 10,000,000.00	¹⁴ 16,791,689.82	16,771,282.26	20,407.56
Agricultural & Industrial Bank:				
Banking department.....	² 25,000,000.00	(131,892.58)	-----	(131,892.58)
Trust department.....	³ 45,161,732.61	8,294,148.01	¹⁸ 8,093,600.36	200,547.65
Manila Railroad Co.....	⁴ 78,579,483.49	19,894,195.56	20,679,357.71	(785,162.15)
Manila Hotel Co.....	⁵ 900,000.00	1,511,179.45	1,573,746.21	(62,566.76)
National Development Co.....	⁶ 26,410,300.00	3,661,667.68	3,051,602.96	610,064.72
Cebu Portland Cement Co.....	⁷ 5,501,600.00	1,395,125.19	852,638.95	542,486.24
National Rice & Corn Corporation.....	⁸ 4,000,000.00	2,832,019.80	2,649,579.16	182,440.64
National Food Products Corporation.....	⁹ 1,935,000.00	(199,828.28)	(59,832.23)	(139,996.05)
Insular Sugar Refining Corporation.....	⁸ 1,903,864.00	1,399,740.27	612,425.61	787,315.26
National Footwear Corporation.....	⁹ 500,000.00	(79.27)	-----	(79.27)
People's Homesite Corporation.....	⁸ 2,000,000.00	-----	-----	-----
Textile Mills.....	¹⁰ 3,987,156.59	(84,330.96)	(12,311.53)	(72,019.43)
National Warehousing Corporation.....	¹¹ 710,500.00	-----	-----	-----
Rural Progress Administration.....	⁶ 1,500,000.00	5,719.25	-----	5,719.25
Buenavista Farmers' Cooperative Association.....	¹² 605,326.00	(15,762.71)	6,776.80	(22,539.51)
National Land Settlement Administration.....	⁶ 2,000,000.00	(259,874.02)	-----	(259,874.02)
National Abaca & Other Fiber Corporation.....	⁶ 2,550,000.00	-----	-----	-----
National Power Corporation.....	¹³ 3,532,530.27	-----	-----	-----
National Trading Corporation.....	⁶ 5,000,000.00	(15,807.63)	-----	(15,807.63)
Total.....	221,777,492.96	55,077,909.58	54,218,865.66	859,043.92

¹ Capital stock owned by Government, ₱8,874,700; by private parties, ₱125,300.

² Capital stock owned by Government.

³ Made up of Government investment funds and includes funds of the Philippine Postal Savings Bank and the Government Service Insurance Board.

⁴ Capital stock owned by Government, ₱31,427,000; advances and loans made by Government, ₱15,132,483.49; outstanding bonds, ₱32,020,000.

⁵ Capital stock owned by the Manila Railroad Co., ₱873,700; by private parties, ₱26,300.

⁶ Capital stock or investment owned by Government.

⁷ Capital stock owned by the National Development Co., ₱5,500,800; by private parties, ₱800.

⁸ Capital stock owned by the National Development Co.

⁹ Capital stock owned by the National Development Co., only ₱250,500 paid.

¹⁰ Investment owned by Government, ₱2,000,000; by the National Development Co., ₱1,987,156.59.

¹¹ Capital stock owned by the National Development Co., only ₱510,000 paid.

¹² Loan by Rural Progress Administration, ₱602,000; capital stock owned by private parties, ₱3,326.

¹³ Outstanding bonds, ₱3,000,000; loan by Government, ₱532,530.27.

¹⁴ Repayment of losses to the National Government under the Rehabilitation Act (3174) already deducted.

¹⁵ Taken from report of the National Investment Board abolished by the creation of the Agricultural and Industrial Bank under Commonwealth Act 459.

There are included in this section of the report condensed balance sheets and related statements showing the financial condition of these institutions of the Commonwealth as of June 30, 1940.

MANILA RAILROAD CO.

During the fiscal year under review, the Manila Railroad Co. completed a considerable amount of construction work, among which may be mentioned the completion of the new office and bonded warehouse building of the Manila Port Terminal, the Taal Vista Lodge at Tagaytay City, and the construction of several permanent bridges. Operation of the Mindanao Motor Line was also started during this period.

The railroad company realized during the fiscal year ended June 30, 1940, total income from all sources of ₱12,995,095.62, slightly more than the ₱12,237,500.36 total income of the previous year. During the same periods, however, expenditures rose from ₱11,834,226.96 to ₱13,034,959.11, an increase of ₱1,200,732.15. As a consequence, operations resulted in a net loss of ₱39,863.49 for the current year as contrasted with a net gain of ₱403,273.40 for the previous period. Among the important factors alleged to account for the loss was the European war which caused substantial increases in prices of fuel and other imported materials needed in railway operations. Passenger revenues increased by 0.64 percent, but were offset by a decline in freight revenues of 0.91 percent.

The net deficit of the company reflects the operation by the Manila Railroad Co. of the Manila Port Terminal, the Terminal Bonded Warehouse, the bus lines in Luzon and Mindanao, and certain steamship lines as well as railway lines. During the 1940 period, the Manila Port Terminal, the Terminal Bonded Warehouse, and the bus lines in Luzon realized an operating profit of ₱545,987.26, of which ₱183,402.32 was the railroad's share of the profits of the Port Terminal, while the bus service in Mindanao and the steamship lines sustained an operating loss of ₱196,790.81, of which ₱12,771.04 was chargeable to the bus service. The net operating profit in highway activities in Luzon and the Port Terminal offset to a considerable extent the net operating loss in railway operations proper. Direct debits and credits to profit and loss account, showing a net debit of ₱2,068,378.91, have reduced the net corporate surplus from ₱20,679,357.71 on June 30, 1939, to ₱19,894,195.56 on June 30, 1940.

The investments of the Commonwealth in the company, its advances and loans thereto remained the same as previously reported on June 30, 1939. There has been appropriated from coconut oil excise tax receipts the sum of ₱7,000,000, which so far has not been released, to provide for a sinking fund with which to liquidate upon maturity the bonded indebtedness of the Manila Railroad Co.

The balance sheet of the company as of June 30, 1940, showed a decrease in assets amounting to ₱4,633,244.79 from the figure as of June 30, 1940. Offset by small increases in other items, the largest reduction was recorded in current assets amounting to ₱4,656,904.10. In liabilities, the important decline was in long-term debt amounting to ₱4,322,000, being ₱3,122,000 in bonds and ₱1,200,000 representing the indebtedness to the National Development Co. for the purchase of the *S. S. Mayon* which was sold to Elizalde & Co. sometime

in March 1940 for ₱1,256,544.39. The company had sustained a loss of ₱124,484.59 in operating the ship.

During the fiscal year under review, the Manila Railroad Co. purchased 4 additional shares of the Manila Hotel Co., thus increasing its investment in the hotel company by ₱625.

Table 45, a condensed balance sheet, and table 46, a statement of the income and profit and loss accounts of the Manila Railroad Co., present additional financial data concerning its operation for the fiscal years ending June 30, 1939, and June 30, 1940.

TABLE 45.—*Condensed balance sheets of the Manila Railroad Co. as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:		
Investments:		
Investments in roads and equipment and miscellaneous physical property.....	Pesos 110,665,594.43	Pesos 110,625,974.02
Sinking funds.....	65,662.19	16,837.36
Manila Hotel stock.....	559,137.62	558,512.62
Other investments.....	65,602.98	65,602.98
Total investments.....	111,355,997.22	111,266,926.98
Current assets:		
Cash, including cash on deposits, etc.....	686,702.56	6,073,703.81
Accounts receivable.....	1,255,386.04	963,014.39
Materials and supplies.....	2,894,613.37	2,421,512.64
Other current assets.....	25,043.93	60,419.16
Total current assets.....	4,861,745.90	9,518,650.00
Deferred assets.....	6,287.98	17,786.21
Unadjusted debits.....	241,519.83	295,432.53
Total assets.....	116,465,550.93	121,098,795.72
Liabilities:		
Capital stock.....	31,427,000.00	31,427,000.00
Long-term debt:		
Bonds issued.....	32,020,000.00	35,142,000.00
Philippine Government advances.....	5,741,883.49	5,741,883.49
Philippine Government loan.....	9,390,600.00	9,390,600.00
National Development Co. loan.....		1,200,000.00
Total long-term debt.....	47,152,483.49	51,474,483.49
Current liabilities.....	4,914,728.91	5,105,277.87
Deferred liabilities.....	208,262.93	238,893.22
Unadjusted credits:		
Accrued depreciation—equipment and miscellaneous physical property.....	12,343,355.34	11,669,977.31
Other unadjusted credits.....	525,524.70	503,806.12
Total unadjusted credits.....	12,868,880.04	12,173,783.43
Corporate surplus.....	34,195,755.95	32,912,539.19
Less: Profit and-loss-balance (unappropriated).....	14,301,560.39	12,233,181.48
Net corporate surplus.....	19,894,195.56	20,679,357.71
Total liabilities.....	116,465,550.93	121,098,795.72

¹ Taken from the annual reports of the comptroller for the Manila Railroad Co.

TABLE 46.—*Condensed statement of income and profit-and-loss accounts of the Manila Railroad Co. for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
INCOME ACCOUNT		
Railway operating revenues	<i>Pesos</i> 8,946,253.36	<i>Pesos</i> 8,859,455.94
Railway operating expenses	7,713,495.17	7,163,559.24
Net revenues from railway operations	1,232,758.19	1,695,896.70
Revenues from miscellaneous operations	3,938,718.41	3,259,133.88
Expenses of miscellaneous operations	3,589,521.96	2,790,180.59
Net revenues from miscellaneous operations	349,196.45	468,953.29
Net operating income	1,581,954.64	2,164,849.99
Nonoperating income	110,123.85	118,910.54
Gross income	1,692,078.49	2,283,760.53
Deductions:		
Interest on debt	1,727,475.68	1,811,811.18
Others	4,466.30	68,675.95
	1,731,941.98	1,880,487.13
Net income (or deficit)	(39,863.49)	403,273.40
Appropriation of income to investment in physical property and sinking and other reserve funds	1,363,216.76	4,077,267.79
Income balance transferred to profit-and-loss account	(1,403,080.25)	3,673,994.39
PROFIT-AND-LOSS ACCOUNT		
Credits: Miscellaneous credits	256,770.04	26,263.06
Total credits	256,770.04	26,263.06
Debits:		
Debit balance from income account	1,403,080.25	3,673,994.39
Miscellaneous debits	922,068.70	370,090.63
Total debits	(2,325,148.95)	(4,044,085.02)
Net increase (or decrease)	(2,068,378.91)	(4,017,821.96)
Balance at the beginning of the period	(12,233,181.48)	(8,215,359.52)
Balance at the end of the period	(14,301,560.39)	(12,233,181.48)

¹ Taken from the annual reports of the comptroller for the Manila Railroad Co.

MANILA HOTEL CO.

Reduced tourist and other travel to the Philippine Islands, as well as increased competition from other hotels and places of entertainment, adversely affected the operation of the Manila Hotel Co. in the year under review. The company, a subsidiary of the Manila Railroad Co., suffered a net loss in the fiscal year 1939-40 of ₱53,446.79 on its combined activities as compared to the previous year's profit of ₱113,855.16. The operating loss of the Manila Hotel itself was over ₱60,000, but this was partially offset by the profit received from the operation of Taal Vista Lodge, a subsidiary project which was opened on October 7, 1939.

Primarily responsible for the hotel company's unsatisfactory year was the decline from last year of almost ₱100,000 in income from the rooms department and of about ₱67,000 from the restaurant department. Expenses meanwhile increased by ₱23,422.94 to a total of ₱1,124,311.94.

Tables 47 and 48 reflect the financial status of the company during the periods ended June 30, 1939, and June 30, 1940.

TABLE 47.—*Condensed balance sheets of the Manila Hotel Co., as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	² (65,220.28)	26,773.30
Accounts receivable.....	69,634.46	76,225.62
Stores.....	102,195.78	69,532.35
Deferred charges, etc.....	13,907.91	7,272.29
Fixed assets (less accrued depreciation).....	2,346,509.03	2,341,058.84
Total assets.....	2,467,026.90	2,520,862.40
Liabilities:		
Accounts and accrued leave payable.....	55,847.45	47,116.19
Capital stock.....	900,000.00	900,000.00
Surplus.....	1,511,179.45	1,573,746.21
Total liabilities.....	2,467,026.90	2,520,862.40

¹ Taken from annual reports of the auditor for the Manila Hotel Co.

² Overdraft in bank deposit.

TABLE 48.—*Condensed statement of profit and loss of the Manila Hotel Co., for the 12-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	July 1, 1938, to June 30, 1939
Income:	<i>Pesos</i>	<i>Pesos</i>
Rooms department.....	273,399.95	372,901.15
Restaurant department.....	437,287.80	504,333.12
Main bar department.....	86,010.16	88,426.64
Service bar department.....	168,674.60	192,781.91
Other income.....	104,592.64	56,301.34
Total income.....	1,070,865.15	1,214,744.16
Expenses:		
Salaries and wages (including extra help and subsistence of employees).....	163,522.02	156,778.74
Supplies consumed.....	313,027.20	319,559.00
General expenses.....	236,616.42	234,408.26
Music and entertainment.....	58,029.45	59,445.29
Other expenses.....	352,516.85	330,697.71
Total expenses.....	1,124,811.94	1,100,889.00
Net profit (or loss).....	(53,446.79)	113,855.16

¹ Taken from annual reports of the auditor for the Manila Hotel Co.

MANILA PORT TERMINAL

The Manila Railroad Co., through the Manila Port Terminal, continued operation of the arrastre service in the port of Manila. Its contract with the defunct Manila Harbor Board, which was abolished and whose duties were transferred to the Bureau of Customs by Commonwealth Act 285, expired on May 15, 1940, but was extended for a period of 6 months. The construction of its new office and bonded warehouse building was completed and has been in use since August 1939. There is a plan under consideration to make the Terminal an independent entity or corporation.

The Manila Port Terminal handled an increasing volume of cargo during the year ending June 30, 1940. Total tonnage increased by 3.3 percent from the previous year and total revenue from arrastre operations rose to ₱1,400,185.75, an increase of 6.43 percent. Operat-

ing expenses increased by 7.42 percent for the same periods, however, with the result that net operating income fell slightly from ₱189,-265.84 in 1938-39 to ₱183,402.32 in 1939-40. From these profits there was already excluded the half accruing to the Bureau of Customs. These profits are included in the appropriate financial statements of the Manila Railroad Co.

NATIONAL DEVELOPMENT CO.

During the fiscal year under review the National Development Co. increased its advances to subsidiary organizations and its investments in Government corporations. The National Footwear Corporation was established with an authorized capital stock of ₱1,000,000, of which ₱500,000 has been subscribed and ₱250,500 paid by the parent company.

The company increased its investment in the National Food Products Corporation by ₱435,000 and in the National Warehousing Corporation by ₱254,500. Shares of stock of the Cebu Portland Cement Co. valued at ₱200 were purchased from private parties. The advances made to the De La Rama Steamship Co. for rights and interests in coastwise and ocean-going vessels, which aggregated over ₱5,000,000 as of June 30, 1940, were applied to the purchase of 5 percent mortgage bonds issued by the steamship company. Additional advances to the Insular Sugar Refining Corporation amounted to ₱1,064,031.26. The National Food Products Corporation, the National Coconut Corporation, and the National Footwear Corporation also received advances of funds. The long-term loan of ₱1,200,000 granted the Manila Railroad Co. for the purchase of the *S. S. Mayon* was fully repaid, while the loan to the Insular Sugar Refining Corporation was reduced by ₱340,000. A call loan of ₱1,000,000 included as "Current Liabilities" in the balance sheet and remaining unpaid as of June 30, 1940, was received from the National Rice & Corn Corporation during the period covered by this report.

Largely as a result of these activities the current assets of the National Development Co. declined from over ₱3,700,000 to less than a million pesos.

Up to June 30, 1940, there was expended about ₱800,000 for studies and surveys of the different projects under consideration by the company as previously reported. These expenditures appear in the balance sheet as "Other Assets." The exploration of petroleum, coal, and iron seems to have received particular attention.

The main contributor to the income of the National Development Co. is the Cebu Portland Cement Co. Dividends received from the latter company in the fiscal year amounted to ₱550,080, or 10 percent on the investment. This, however, was a sharp decline from the ₱2,750,000 received as a stock dividend from the Cebu Portland Cement Co. in the previous fiscal year. As a result, the total income of the National Development Co. fell from ₱2,874,444.80 in the 6 months January 1 to June 30, 1939, to ₱1,005,464.91 in the 12 months July 1, 1939, to June 30, 1940. Net profits showed a corresponding decline in the same periods from ₱2,809,089.88 to ₱796,358.72. The Philippine National Bank, as has been noted elsewhere in this report, realized a net operating profit from July 1, 1939, to June 30, 1940, amounting to ₱2,212,095.95. The profits of the trust department of

₱65,134.15 in the 6 months January 1 to June 30, 1939, increased to ₱229,065.22 in the fiscal year 1939-40.

As of June 30, 1940, total assets of the National Development Co. amounted to ₱31,387,341.26, an increase of ₱1,845,288.50 over June 30, 1939. Of the total assets, ₱27,798,357.82, or 88.6 percent, consists of investments in and advances or loans to subsidiaries or other companies. With capital stock fully paid amounting to ₱26,410,300.00 and accumulated surplus and reserves to ₱3,818,973.88 the net worth of the company as of June 30, 1940, was ₱30,229,273.88, an increase of ₱767,370.92 over June 30, 1939.

TABLE 49.—Condensed balance sheets of the National Development Co. as of June 30, 1939 and June 30, 1940¹

Details	June 30, 1940	June 30, 1939
Assets:		
Current assets:	<i>Pesos</i>	<i>Pesos</i>
Cash (including cash in hands of accountable officers)	471,506.77	3,552,107.22
Other current assets	491,234.42	150,229.48
Total current assets	962,741.19	3,702,336.70
Advances to subsidiary and other companies:		
Insular Sugar Refining Corporation	2,064,031.26	1,000,000.00
National Coconut Corporation	9,203.33	
National Land Settlement Administration		200,000.00
National Footwear Corporation	500.00	
National Food Products Corporation	125,000.00	
Total advances to subsidiary and other companies	2,198,734.59	1,200,000.00
Investments:		
Cebu Portland Cement Co.	5,500,800.00	5,500,600.00
National Rice and Corn Corporation	4,000,000.00	4,000,000.00
National Food Products Corporation	1,935,000.00	1,500,000.00
National Warehousing Corporation	510,000.00	255,500.00
Insular Sugar Refining Corporation (par value of stock ₱1,903,864)	3,600,000.00	3,600,000.00
People's Homesite Corporation	2,000,000.00	2,000,000.00
National Footwear Corporation	250,500.00	
De La Rama Steamship Co., 5 percent mortgage bonds	5,211,524.59	1,757,230.80
Sabani Estate	304,642.05	304,202.42
Textile Mills	1,987,156.59	2,004,213.03
Total investments	25,299,623.23	20,921,746.25
Long-term loans:		
Manila Railroad Co., a/c S. S. Mayon		1,200,000.00
Insular Sugar Refining Corporation	300,000.00	640,000.00
Total long-term loans	300,000.00	1,840,000.00
Fixed assets (less depreciation)	1,802,065.19	1,543,481.98
Deferred charges	28,233.27	6,546.32
Other assets	795,943.79	326,941.51
Total assets	31,387,341.26	29,541,052.76
Liabilities:		
Current liabilities	1,034,520.92	16,234.35
Deferred credits	123,546.46	62,915.45
Capital stock:	<i>Pesos</i>	
Authorized	50,000,000	
Unissued	23,589,400	
Total subscribed and fully paid	26,410,600	
Less Treasury stock	300	
Net subscribed and fully paid	26,410,300	26,410,300.00
Surplus:		
Surplus at the beginning of the period	3,051,602.96	242,513.08
Less surplus adjustment	(68,314.36)	
Profit during year (see statement of profit and loss)	796,358.72	2,809,089.88
Less provision for reserve	(117,979.64)	
Surplus at the end of the period	3,661,667.68	3,051,602.96
Reserve	3,051,602.96	
Total liabilities	31,387,341.26	29,541,052.76

¹ Taken from annual reports of the comptroller for the National Development Co.

TABLE 50.—*Condensed statement of profit and loss of the National Development Co. for the fiscal years 1939 and 1940*¹

Details	July 1, 1939 to June 30, 1940	Jan. 1 to June 30, 1939 ²
Income:	<i>Pesos</i>	<i>Pesos</i>
Stock dividends by Cebu Portland Cement Co.		2,750,000.00
Dividends on stock investments:		
Cebu Portland Cement Co.	550,080.00	
Insular Sugar Refining Corporation	117,979.64	39,326.56
Interest on advances to subsidiaries and other companies	277,544.99	61,557.42
Other income	59,860.28	23,560.82
Total income	1,005,464.91	2,874,444.80
Expenses:		
Directors' per diems	1,850.00	1,000.00
Executive salaries	36,735.94	13,649.98
Office salaries and wages	108,878.84	29,945.19
Other expenses	81,600.44	20,538.98
Total expenses	229,065.22	65,134.15
Gross profit	776,399.69	2,809,310.65
Profit (or loss) derived from the operation of the Sabani Estate	19,959.03	(220.77)
Net profit	796,358.72	2,809,089.88

¹ Taken from annual reports of the comptroller for the National Development Co.² No available data for last half of calendar year 1938.

CEBU PORTLAND CEMENT CO.

The year under consideration was again a period of profitable operation for the Cebu Portland Cement Co., a subsidiary of the National Development Co. As in the preceding year, the company benefited by the extensive public works program undertaken by the Commonwealth in the 1939-40 fiscal year. Nearly two-thirds of the company's sales were made to the Government.

The net profit of the company for the 12-month period ended June 30, 1940, was ₱1,092,646.24, which is equivalent to 19.86 percent of its standing capital of ₱5,501,600. Of this capital ₱5,500,800 is held by the National Development Co. and ₱800 by private individuals. In comparison, the net profit of the company in the 6 months ended June 30, 1939, was ₱493,319.35. Out of its accumulated surplus, dividends amounting to ₱550,160 were declared and paid, ₱550,080 going to the National Development Co. and ₱80 to the private stockholders.

Compared with assets as of June 30, 1939, totaling ₱6,617,613.18, total assets as of June 30, 1940, increased by ₱496,873.63. Between the same dates, its net worth increased ₱542,486.24, being ₱6,896,725.19 on June 30, 1940.

Additional financial information concerning the Cebu Portland Cement Co. is presented in tables 51 and 52.

TABLE 51.—*Condensed balance sheets of the Cebu Portland Cement Co. as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	834, 150. 11	940, 351. 14
Account receivable.....	1, 426, 457. 44	1, 069, 900. 06
Working assets.....	1, 231, 626. 77	1, 016, 206. 98
Deferred charges.....	13, 965. 79	168, 577. 35
Investments.....	459, 506. 87	475, 575. 36
Fixed assets (less depreciation).....	3, 148, 779. 83	2, 947, 002. 29
Total assets.....	7, 114, 486. 81	6, 617, 613. 18
Liabilities:		
Current liabilities.....	200, 915. 19	253, 181. 35
Deferred credits.....	16, 846. 43	10, 192. 88
Capital stock:		
Authorized.....	6, 000, 000. 00	6, 000, 000. 00
Unissued.....	498, 400. 00	498, 400. 00
Outstanding.....	5, 501, 600. 00	5, 501, 600. 00
Surplus and reserves at the beginning of the period.....	852, 638. 95	3, 110, 119. 60
Less—Dividends paid.....	550, 160. 00	2, 750, 800. 00
Add—Net profit for the year.....	302, 478. 95	359, 319. 60
	1, 092, 646. 24	493, 319. 35
Surplus and reserves at the end of the period.....	1, 395, 125. 19	852, 638. 95
Net worth.....	6, 896, 725. 19	6, 354, 238. 95
Total liabilities.....	7, 114, 486. 81	6, 617, 613. 18

¹ From annual reports of the comptroller for the Cebu Portland Cement Co.TABLE 52.—*Condensed statement of profit and loss of the Cebu Portland Cement Co. for the fiscal years 1939 and 1940*¹

Details	July 1, 1939 to June 30, 1940	Jan. 1 to June 30, 1939 ²
Manufactured:	<i>Pesos</i>	<i>Pesos</i>
Cement sales.....	4, 591, 327. 60	1, 993, 370. 59
Less cost of sales.....	2, 378, 413. 88	1, 110, 282. 63
Gross profit.....	2, 212, 913. 72	883, 087. 96
Expenses:		
Selling.....	872, 156. 55	353, 661. 08
Administrative.....	72, 883. 59	36, 454. 73
Financial and other.....	191, 001. 17	14, 914. 64
Total operating expenses.....	1, 136, 041. 31	405, 030. 45
Net operating profit.....	1, 076, 872. 41	478, 057. 51
Add extraneous income.....	33, 031. 04	24, 435. 20
	1, 109, 903. 45	502, 492. 71
Deduct miscellaneous expenses.....	17, 257. 21	9, 173. 36
Net profit from manufactured cement.....	1, 092, 646. 24	493, 319. 35

¹ Taken from annual reports of the comptroller for the Cebu Portland Cement Co.² No available data for last half of calendar year 1938.

TABLE 53.—*Condensed balance sheets of the National Rice and Corn Corporation as of June 30, 1939 and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939 (revised)
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	977,527.79	3,899,654.16
Other current assets.....	77,024.42	163,692.89
Inventories.....	3,664,599.18	1,850,223.73
Investments.....	1,007,000.00	27,000.00
Deferred charges.....	69,351.98	42,336.32
Fixed assets (less depreciation).....	1,220,814.74	881,661.58
Total assets.....	7,016,318.11	6,864,568.68
Liabilities:		
Current liabilities.....	128,379.28	126,137.86
Deferred credits.....	55,919.03	88,851.66
Capital stock.....	4,000,000.00	4,000,000.00
Surplus.....	2,832,019.80	2,649,579.16
Total liabilities.....	7,016,318.11	6,864,568.68

¹ Taken from the annual reports of the comptroller for the National Rice and Corn Corporation.TABLE 54.—*Condensed statement of surplus profit and loss of the National Rice and Corn Corporation for the fiscal years 1939 and 1940*¹

Details	July 1, 1939 to June 30, 1940	Jan. 1, 1939 to June 30, 1939 ² (revised)
Sales of rice.....	<i>Pesos</i> 7,878,437.21	<i>Pesos</i> 3,550,800.45
Cost of rice sold.....	7,215,355.56	3,262,032.86
Gross profit on rice sold.....	663,081.65	288,767.59
Sales of palay, corn, etc.....	55,560.11	122,204.55
Cost of palay, corn, etc., sold.....	53,541.22	86,962.17
Gross profit on palay, corn, etc. sold.....	2,018.89	35,242.38
Gross operating profit.....	665,100.54	324,009.97
Expenses:		
Selling.....	138,633.59	52,733.93
Administrative.....	139,774.66	57,077.05
Bonded warehouses.....	142,509.18	29,315.23
Other.....	63,806.49	17,358.38
Total expenses.....	484,723.92	156,484.59
Operating profit.....	180,376.62	167,525.38
Add other income.....	41,127.95	50,288.08
Less other charges.....	221,504.57	217,813.46
Net profit.....	182,440.64	217,813.46
Surplus at the beginning of the period.....	2,649,579.16	2,431,765.70
Surplus at the end of the period.....	2,832,019.80	2,649,579.16

¹ Taken from annual reports of the comptroller for the National Rice and Corn Corporation.² No available data for last half of calendar year 1938.

NATIONAL RICE AND CORN CORPORATION

The primary aim of the establishment of this subsidiary of the National Development Co. was to rehabilitate and stabilize the rice and corn industries in the Philippines. Its activities during the period of this report continued to be largely connected with the purchase and sale of rice, palay, and corn. Conditions indicating a probable shortage, the corporation imported rice from abroad to supplement the domestic supply. Part of the rice was imported free of duty with the understanding that the National Rice and Corn Corporation which, because of the shortage of rice, was designated by the President of the Philippines as a relief organization, should turn over to the government the net profit realized from the sale thereof.

The corporation continued its research work during the year. This included the experiments on the processing of rice straw and rice hull into building board and the manufacture of rice oil from tiki-tiki.

The increase in investments as shown by the balance sheet of the corporation was due mainly to a call loan of ₱1,000,000 to the National Development Co. Fixed assets also increased because of additional expenditures for buildings, machinery, and equipment.

Tables 53 and 54 cover the financial condition of the National Rice and Corn Corporation as of June 30, 1939, and June 30, 1940.

NATIONAL FOOD PRODUCTS CORPORATION

The National Food Products Corporation ended operation for the fiscal year 1940 with a deficit of ₱199,828.28, ₱128,697.05 representing net loss for 12 months, operation during the fiscal year ended June 30, 1940, and ₱71,131.23, as revised, for 6 months during the previous fiscal year ended June 30, 1939. This deficit, which includes a small loss in the manufacture of clay products, is equal to 10 percent of its standing capital of ₱1,935,000. The high cost of production due to alleged shortage and the relatively high price of basic raw materials, particularly "bangus" (milk fish), needed for the manufacture of canned goods, are offered as the main reason for the deficit. To remedy the situation, the management has under consideration several measures, the most important being the proposed construction of a 5,000 hectare fishpond and another cannery in Capiz and the reduction of overhead expenses.

The net worth of the corporation as of June 30, 1940 was ₱1,735,-171.72, or an impairment of capital by ₱199,828.28 (the accumulated deficit). Advances from the National Development Co. to meet obligations during the year stood at ₱125,000 on June 30, 1940.

Balance sheets and profit-and-loss statements are presented on tables 55 and 56.

TABLE 55.—Condensed balance sheets of the National Food Products Corporation as of June 30, 1939, and June 30, 1940 ¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	16,597.97	141,865.16
Advances to accountable employees.....	10,158.16	7,271.79
Accounts receivable.....	59,164.49	15,403.74
Inventories.....	528,472.12	234,853.94
Supplies and materials.....	27,537.17	81,409.80
Advances to cooperatives.....	181,606.13	
Investments.....	100.00	
Loans to fishpond owners.....	140,151.70	141,700.00
Fixed assets (less reserve for depreciation).....	850,609.38	760,698.60
Organization expenses.....	78,384.42	93,030.83
Deferred charges.....	53,689.24	17,978.06
Other assets.....		32,198.77
Total assets.....	1,946,470.78	1,526,410.69
Liabilities:		
Accounts payable.....	210,829.69	86,222.08
Deferred credits.....	469.37	20.84
Capital Stock:		
Authorized.....	2,500,000.00	2,500,000.00
Unissued.....	565,000.00	1,000,000.00
Subscribed and fully paid up.....	1,935,000.00	1,500,000.00
Surplus (or deficit) at the beginning of the period:	(59,832.23)	
Less surplus adjustment.....	(11,299.00)	
Loss for the period.....	(128,697.05)	(59,832.23)
Surplus (or deficit) at the end of the period.....	(199,828.28)	(59,832.23)
Total liabilities.....	1,946,470.78	1,526,410.69

¹ Taken from annual reports of the auditor for the National Food Products Corporation.TABLE 56.—Condensed statement of loss and gain of the National Food Products Corporation for the fiscal years ended June 30, 1939, and June 30, 1940 ¹

Details	July 1, 1939, to June 30, 1940	Jan. 1 to June 30, 1939 ² (revised)
Sales:	<i>Pesos</i>	<i>Pesos</i>
Canned goods.....	172,769.98	16,771.41
Empty cans.....	75,763.76	23,503.14
Others.....	27,637.87	10,003.22
Total sales.....	276,171.61	50,277.77
Cost of sales:		
Canned goods.....	194,066.15	23,126.55
Empty cans.....	75,586.13	23,397.44
Others.....	35,031.89	18,652.46
Total cost of sales.....	304,684.17	65,176.25
Add—net decrease in inventory.....	7,951.43	8,572.84
	312,635.60	73,749.09
Gross loss.....	(36,463.99)	(23,471.32)
Expenses:		
Sales and distribution:		
Salaries and wages.....	8,337.73	1,293.76
Advertising.....	10,515.89	2,176.62
Others.....	18,835.09	2,208.04
Administration:		
Salaries, directors' per diems, and wages.....	28,115.58	17,210.13
Others.....	12,867.01	5,276.74
Total expenses.....	78,671.30	28,165.29
Net operating loss.....	(115,135.29)	(51,636.61)
Plus other income.....	19,560.40	5,048.59
	(95,574.89)	(46,588.02)
Less other charges.....	33,122.16	13,244.21
Net loss.....	(128,697.05)	(59,832.23)

¹ Taken from annual reports of the auditor for the National Food Products Corporation.² No available data for last half of calendar year 1938.

THE INSULAR SUGAR REFINING CORPORATION

The investment (exclusive of advances) of the National Development Co. in this subsidiary amounted as of June 30, 1940, to ₱3,900,000 as follows:

	<i>Pesos</i>
Par value of common and preferred stocks.....	1, 903, 864. 00
Refined sugar quota rights.....	1, 696, 136. 00
Value of machineries and refined sugar quota rights of the Malabon Sugar Co. (outstanding loan).....	300, 000. 00
	<u>3, 900, 000. 00</u>

The surplus of ₱612,425.01 (revised) as of June 30, 1939, was increased to ₱1,399,740.27 on June 30, 1940, an increase of ₱787,315.26 which was equivalent to 20 percent of the investment of ₱3,900,000 by the parent company. This surplus does not include the dividend on the preferred stock declared by the corporation during the year amounting to ₱78,653.06. According to the records of the National Development Co., advances to this corporation as of June 30, 1940, amounted to ₱2,064,031.26. Total assets increased ₱1,383,917.74 and net worth by ₱787,315.26 (the net profit during the period), from June 30, 1939 to June 30, 1940. The value of refined sugar quota rights purchased by the company for ₱1,696,136 was not considered in the net worth.

It should be noted that, despite the fact that the operation for the 1939 period covers 13 months and that for 1940 only 12 months, both volume of business and net profit in 1940 were higher than in 1939.

Tables 57 and 58 reflect the financial condition of the Insular Sugar Refining Corporation as of June 30, 1939 and June 30, 1940.

TABLE 57.—*Condensed balance sheets of the Insular Sugar Refining Corporation as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939 ²
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	112, 357. 68	157, 345. 74
Accounts receivable.....	3, 768, 934. 99	1, 060, 160. 29
Inventories.....	970, 742. 96	2, 003, 873. 43
Deferred charges.....	150, 701. 29	232, 427. 09
Real property and equipment (less depreciation).....	1, 545, 245. 87	1, 636, 725. 17
Other assets.....	433, 888. 90	507, 222. 23
Total assets.....	6, 981, 871. 69	5, 597, 953. 95
Liabilities:		
Capital stock.....	1, 903, 864. 00	1, 903, 864. 00
Accounts payable.....	2, 994, 590. 26	2, 187, 204. 36
Long term indebtedness (National Development Co.).....	300, 000. 00	640, 000. 00
Other liabilities.....	383, 677. 16	255, 782. 92
Surplus (see statement of income and surplus).....	1, 399, 740. 27	611, 102. 67
Total liabilities.....	6, 981, 871. 69	5, 597, 953. 95

¹ Taken from reports of the auditor for the Insular Sugar Refining Corporation.

² Revised to include figures up to June 30, 1939, instead of as to May 31, 1939 as previously reported.

TABLE 58.—*Condensed statement of income and surplus of the Insular Sugar Refining Corporation for the 13-month period ended June 30, 1939, and for the fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	June 1, 1938, to June 30, 1939
	<i>Pesos</i>	<i>Pesos</i>
Sales of sugar, etc.....	8, 869, 614. 67	8, 330, 580. 47
Cost of sales.....	7, 250, 246. 36	7, 505, 762. 07
Decrease (or increase) in inventory.....	344, 255. 50	(85, 612. 34)
Total cost of refined sugar sold.....	7, 603, 501. 86	7, 420, 149. 53
Gross profit.....	1, 265, 512. 81	910, 430. 94
Selling expenses:		
Salaries and commissions.....	89, 742. 39	46, 046. 48
Other.....	32, 772. 94	46, 632. 33
Total selling expenses.....	122, 515. 33	92, 678. 81
Net operating profit.....	1, 142, 997. 48	817, 752. 13
Plus other income.....	94. 93	29, 276. 36
	1, 143, 092. 41	847, 028. 49
Less other charges.....	355, 777. 15	675, 352. 00
Net profit.....	787, 315. 26	171, 676. 49
Surplus at the beginning of the period.....	² 612, 425. 04	439, 426. 18
Surplus at the end of the period.....	1, 399, 740. 27	614, 102. 67

¹ Taken from reports of the auditor for the Insular Sugar Refining Corporation.² Revised upward due to "adjustment of 1938-39 income tax."

NATIONAL FOOTWEAR CORPORATION

The National Footwear Corporation was organized on January 22, 1940, as a subsidiary of the National Development Co., with a capital stock of ₱1,000,000, of which ₱500,000 has been subscribed and ₱250,500 paid by the parent company. Its primary object is to extend financial assistance to shoemakers through the National Footwear Cooperative Association, Inc., which was intended to free shoemakers from exploitation by dealers. The corporation makes loans to the association and controls its management. It has been reported that the organization of this corporation was prompted by numerous petitions from small-scale shoemakers, specially those of Marikina, Rizal.

The association in the first 2 months of operation (May and June 1940) showed a loss, exclusive of an "adjustment," of ₱691.21, amounting to ₱770.48. Allowing for the "adjustment," the net worth of the corporation as of June 30, 1940, was ₱499,920.73, or ₱79.27 lower than its standing capital. Advances received from the National Development Co. during the period amounted to ₱500.

Tables 59 and 60 present the financial condition of the National Footwear Corporation as of June 30, 1940.

TABLE 59.—*Condensed balance sheet of the National Footwear Corporation as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash.....	30,390.59
Accounts receivable.....	10,375.23
Other current assets.....	225,682.70
Subscription receivable (National Development Co.).....	249,500.00
Deferred charges.....	11,052.22
Fixed assets.....	14,039.32
Total assets.....	541,040.06
Liabilities:	
Accounts payable.....	36,090.01
Other current liabilities.....	4,973.32
Deferred credits.....	51.00
Authorized capital stock.....	1,000,000.00
Unissued.....	500,000.00
Subscribed and paid up.....	500,000.00
Plus adjustment.....	691.21
Loss for the period.....	(770.48)
Net worth.....	499,920.73
Total liabilities.....	541,040.06

¹ Taken from annual report of the auditor for the National Footwear Corporation.TABLE 60.—*Condensed statement of income of the National Footwear Corporation for the period May 1 to June 30, 1940*¹

Details	May 1 to June 30, 1940
	<i>Pesos</i>
Sales of shoes.....	26,735.10
Materials issued.....	37,423.23
Rice issued.....	19,440.50
Total sales of shoes, materials, and rice.....	83,598.83
Cost of shoes sold.....	19,853.82
Cost of materials issued.....	32,444.92
Cost of rice issued to shopowners.....	19,111.00
Total cost of shoes, materials, and rice sold.....	71,409.74
Gross profit.....	12,189.09
Expenses:	
Administrative.....	5,754.92
Selling and distribution.....	6,942.95
Financial.....	1,451.29
Total expenses.....	14,149.16
Operating loss.....	(1,960.07)
Add other income.....	1,189.59
Net loss.....	(770.48)

¹ Taken from annual report of the auditor for the National Footwear Corporation.

PEOPLE'S HOMESITE CORPORATION

During the fiscal year ended June 30, 1940, the activities of this subsidiary of the National Development Co. were confined largely to subdividing the site and constructing houses for sale. Construction of roads and bridges was also undertaken. This corporation is capitalized at ₱2,000,000 fully subscribed and paid. Total assets remained practically the same as a year ago. Cash amounting to

₱1,053,050.15 on June 30, 1939, was reduced to ₱324,658.03 on June 30, 1940. On the other hand, fixed assets increased from ₱914,340.55 to ₱1,553,942.67 between the same dates, the later amount covering ₱787,021.35 for cost of the Diliman Estate at Quezon City, ₱685,091.59 for development and improvement of various projects such as construction of roads and bridges, barrio obrero houses, model houses, etc., and ₱81,829.73 for equipment. Some of the buildings to house the University of the Philippines, which, as previously reported, will move to this estate, are now under construction. However, it is understood that due to inadequate funds the construction of the remaining structures will be delayed and therefore the complete transfer of the university will not be effected so soon as originally planned.

The corporation being still in the state of development, the expenses for office maintenance and operation are still carried as "organization expenses."

The following table 61 presents condensed balance sheets of the People's Homesite Corporation as of June 30, 1939, and June 30, 1940.

TABLE 61.—*Condensed balance sheets of the People's Homesite Corporation as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	324,658.03	1,053,050.15
Other current assets.....	41,117.82	14,996.09
Fixed assets.....	1,553,942.67	914,340.55
Deferred charges (organization expenses).....	114,108.97	20,963.76
Total assets.....	2,033,827.49	2,003,350.55
Liabilities:		
Accounts payable.....	33,709.67	814.83
Other current liabilities.....	117.82	
Deferred credits.....		2,535.72
Capital stock.....	2,000,000.00	2,000,000.00
Total liabilities.....	2,033,827.49	2,003,350.55

¹ Taken from the annual reports of the auditor for the People's Homesite Corporation.

TEXTILE MILLS

The Textile Mills is a department of the National Development Co. As previously reported, it began operation only in May 1939 and the result thereof was a loss of ₱12,311.53 (revised) as of June 30, 1939. On June 30, 1940, this loss was increased to ₱84,330.96 by increment of ₱72,019.43 loss for the period under review. This accumulated loss is equivalent to 2 percent of the total investment of ₱3,987,156.59. As stated in the annual report of the board of directors, the following are among the causes allegedly responsible for the loss: Lack of experienced personnel, high salaries of foreign experts, defective machineries and equipment and high cost of materials. It is understood that it is planned to enlarge the capacity of the mills by purchasing 400 additional looms and 10,000 additional spindles and accessory equipment. The cost of the program was estimated at over ₱2,500,000.

Although it is merely a department of the National Development Co. as stated, it has its separate books of accounts. The formation of the Textile Mills into a separate subsidiary is under study.

Further financial details overing the Textile Mills are set forth in condensed balance sheets and income and surplus statements in tables 62 and 63.

TABLE 62.—*Condensed balance sheets of the Textile Mills as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939 (revised)
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	16,803.70	6,428.20
Accounts receivable.....	119,109.88	192,430.47
Inventories.....	1,045,480.90	39,717.20
Other current assets.....	39,717.20	2,615,337.22
Fixed assets (less depreciation).....	2,615,337.22	149,693.29
Deferred charges.....	149,693.29	
Total assets.....	3,986,142.19	2,663,987.21
Liabilities:		
Accounts payable.....	81,311.56	672,085.71
Deferred credits.....	2,005.00	
Other liabilities.....		
Investment of the National Development Co.....	1,987,156.59	2,004,213.03
Investment of the National Government, Commonwealth Act 521.....	2,000,000.00	
Total.....	3,987,156.59	2,004,213.03
Less accumulated losses.....	84,330.96	12,311.53
Total liabilities.....	3,986,142.19	2,663,987.21

¹ Taken from annual reports of the comptroller for the National Development Co.

TABLE 63.—*Condensed statement of income and surplus of the Textile Mills for the period May 1 to June 30, 1939, and fiscal year ended June 30, 1940*¹

Details	July 1, 1939, to June 30, 1940	May 1 to June 30, 1939
Sales.....	<i>Pesos</i> 604,353.66	<i>Pesos</i> 6,428.20
Cost of sales.....	612,697.71	10,245.08
Gross loss on sales.....	8,344.05	3,816.88
Expenses:		
Selling.....	18,573.79	
Administrative.....	31,195.56	1,318.09
Total expenses.....	49,769.35	1,318.09
Net loss from operation.....	58,113.40	5,134.97
Add extraneous loss.....	19,077.99	7,196.83
Deduct miscellaneous income.....	77,191.39	12,331.80
	5,171.96	20.27
Net loss during the period.....	72,019.43	12,311.53
Plus loss (as adjusted) to June 30, 1939.....	12,311.53	
Total loss at the end of the period.....	84,330.96	12,311.53

¹ Taken from annual reports of the comptroller for the National Development Co.

SABANI ESTATE (LOCATED IN THE PROVINCE OF NUEVA ECIJA)

The investment of the National Development Co. in this estate was ₱304,642.05 as of June 30, 1940, and compares with ₱304,202.42 on June 30, 1939. The fiscal year of the estate formerly ended on April 30 of each year but has been changed to end June 30; hence the accounting period covered by this report is the 14 months from May 1, 1939, to June 30, 1940. For this period, the operating of

the estate resulted in a net gain of ₱19,959.03 as against a net loss of ₱220.77 for the preceding 12 months ending April 30, 1939. This result is reflected in the corresponding financial statements of the National Development Co.

Owing to the fact that the average yearly net income based on the book value of the estate is very low, the disposal of the agricultural areas thereof is now under study, according to the annual report of the Board of Directors of the National Development Co.

NATIONAL WAREHOUSING CORPORATION

Actual operation not having been started, the activities of the National Warehousing Corporation during the year ended June 30, 1940, were devoted largely to organization, planning, and construction of warehouses in the provinces. Eleven warehouses were constructed during the period. This corporation has an authorized capital of ₱1,000,000, of which ₱710,500 has been subscribed and ₱510,000 fully paid by the holding company, the National Development Co.

The following table No. 64 compares the balance sheets of Warehousing Corporation as of June 30, 1939, and June 30, 1940.

TABLE 64.—*Condensed balance sheets of the National Warehousing Corporation as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	161,588.03	239,619.01
Accounts receivable.....	1,335.97	57.65
Subscription receivable from the National Development Co.....	200,500.00	255,000.00
Fixed assets (less depreciation).....	231,107.54	1,223.69
Deferred charges.....	1,710.05	
Organization expenses.....	42,273.65	15,172.46
Other.....	84,481.57	
Total assets.....	722,996.81	511,072.81
Liabilities and capital:		
Accounts payable.....	8,480.15	50.76
Deferred credits.....	4,016.66	522.05
Capital stock:		
Authorized.....	1,000,000.00	1,000,000.00
Unissued.....	289,500.00	489,500.00
Subscribed.....	² 710,500.00	³ 510,500.00
Total liabilities and capital.....	722,996.81	511,072.81

¹ Taken from annual reports of the auditor for the National Warehousing Corporation.

² ₱510,000 fully paid up.

³ ₱255,500 fully paid up.

RURAL PROGRESS ADMINISTRATION CORPORATION

The Rural Progress Administration Corporation, which was formerly the Rural Progress Administration, is intended to be the agency through which the Commonwealth Government carries out its policy of acquiring landed estates for resale or sublease to their bona fide tenants or occupants or private individuals as provided in Commonwealth Act 539, approved May 26, 1940, and other previous legislation. It has not been completely organized during the period of this report. The Marikina, the Dinalupihan, and the Tunasan homesites, the latter together with a building, were purchased and

some others were under consideration. To finance these purchases ₱1,000,000 appropriated from coconut oil excise tax funds under Commonwealth Act 20, and ₱2,000,000 (only ₱200,000 has been released) appropriated from these funds by Commonwealth Act 260, were transferred from the Department of Agriculture and Commerce to this corporation. In addition, the corporation was capitalized by Commonwealth Act 378 at ₱1,500,000. Expenditures in developing the homesites acquired and the unrealized profits from the sale thereof were still carried as deferred charges and deferred credits, subject to future adjustment when regular operation begins.

The Rural Progress Administration Corporation also finances and controls the operation of the Buenavista Farmers' Cooperative Association. As of June 30, 1940, a loan of ₱500,000 granted the association remained outstanding. The amount of ₱5,619.25 was collected from the association during the period as interest on the loan. In addition, the corporation has advanced ₱102,000 as rental of the Buenavista Estate for 1940.

Table 65 is a condensed balance sheet of the Rural Progress Administration Corporation as of June 30, 1940.

TABLE 65.—*Condensed balance sheet of the Rural Progress Administration as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash.....	1,264,613.96
Cash loans to Buenavista Farmers' Cooperative Association, Inc.....	500,000.00
Other current assets.....	597,267.69
Deferred charges.....	² 485,602.80
Fixed assets.....	18,980.73
Total assets.....	2,866,465.18
Liabilities:	
Accounts payable.....	29,243.26
Deferred credits.....	295,194.84
Trust funds (Homesite Fund, Commonwealth Acts 20 and 260).....	1,036,307.83
Capital stock.....	1,500,000.00
Surplus:	<i>Pesos</i>
Interest to loan to Buenavista Farmers' Cooperative Association, Inc....	5,619.25
Prior year credits.....	100.00
	5,719.25
Total liabilities.....	2,866,465.18

¹ Taken from the annual report of the auditor for the Rural Progress Administration as revised by the Auditor General.

² Includes ₱102,000 rental of Buenavista Estate for 1940.

BUENAVISTA FARMERS' COOPERATIVE ASSOCIATION

Pursuant to the terms of a financing contract entered into by and between the Rural Progress Administration Corporation and the Buenavista Farmers' Cooperative Association, the latter has, through a board of directors, directly administered the Buenavista Estate which is leased from the San Juan de Dios Hospital. A manager nominated by the Rural Progress Administration Corporation and elected by the board of directors of the association is in charge of its financial affairs. By operation of Executive Order No. 249 of the President of the Philippines, its cooperative stores were transferred to the National Trading Corporation. Capitalized at ₱10,000, of

which ₱3,326 has been subscribed and fully paid by private parties, the association suffered a loss of ₱15,762.71 from June 1, 1939, to June 30, 1940. On the latter date the association was indebted to the Rural Progress Administration Corporation for a loan of ₱500,000 and an advance of ₱102,000 for rental of the Buenavista Estate for 1940.

The assets of the association on June 30, 1940, amounted to only ₱667,363.38 as against liabilities of ₱679,800.09 and paid-up capital of ₱3,326.

Additional financial data are provided in tables 66 and 67 which show the condensed balance sheet of the Buenavista Farmers' Cooperative Association as of June 30, 1940, and the operation statement of the Buenavista Estate for the period June 1, 1939, to June 30, 1940.

TABLE 66.—*Condensed balance sheet of the Buenavista Farmers' Cooperative Association, Inc., as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash on hand.....	9,426.39
Other current assets.....	416,228.27
Deferred charges.....	² 178,461.61
Fixed assets.....	63,247.11
Total assets.....	667,363.38
Liabilities:	
Accounts payable.....	679,800.09
Authorized capital stock.....	10,000.00
Unsubscribed stock.....	6,674.00
Paid up.....	3,326.00
Net loss, June 1, 1939-June 30, 1940 per statement of operations.....	(15,762.71)
Total liabilities.....	667,363.38

¹ Taken from annual report of the auditor for the Rural Progress Administration Corporation.

² Includes prepaid rental on leased land amounting to ₱102,000 for 1940.

TABLE 67.—*Condensed statement of operations of the Buenavista Estate for the 13-month period ended June 30, 1940*¹

Details	June 1, 1939, to June 30, 1940
Income:	<i>Pesos</i>
Rentals from leased land.....	147,084.65
Other.....	5,211.95
Total income.....	152,296.60
Expenses:	
Rentals on leased land.....	100,000.00
Salaries and wages.....	14,917.63
Other.....	53,141.68
Total expenses.....	168,059.31
Net loss for the period.....	² 15,762.71

¹ Taken from the annual report of the auditor for the Rural Progress Administration Corporation.

² Profit: June 1-30, 1939.....	<i>Pesos</i> 6,776.80
Deficit: July 1, 1939-June 30, 1940.....	22,539.51
Net deficit.....	15,762.71

NATIONAL LAND SETTLEMENT ADMINISTRATION

The National Land Settlement Administration was created by Commonwealth Act 441, approved June 3, 1939, with an authorized capital of ₱20,000,000 to be subscribed by the Commonwealth Government. According to the provisions of this act, its objectives are as quoted hereunder:

(a) To facilitate the acquisition, settlement, and cultivation of lands whether acquired from the Government or from private parties.

(b) To afford opportunity to own farms to tenant farmers and small farmers from congested areas, and to trainees who have completed the prescribed military training.

(c) To encourage migration to sparsely populated regions, and facilitate the amalgamation of the people in different sections of the Philippines.

(d) To develop new money crops to take the place of the present export crops which may suffer from the loss of preferences which they enjoy in the American market.

To carry out such purposes, an advance of ₱200,000 was received in January 1939 from the National Development Co. and subsequently plus the sum of ₱2,000,000 was made available from the ₱4,000,000 appropriated as the initial capital of the administration from coconut oil excise tax funds under Commonwealth Act 521. The advance of ₱200,000 appears to have been liquidated during the period of this report. The initial program contemplates two settlements in Mindanao; the Koronadal Valley in the province of Cotabato and the Compostela-Monkayo region in the province of Davao. The first was selected for immediate settlement and is now being developed.

During its operation from February 1, 1939, to June 30, 1940, there was expended a total of ₱286,652.06, of which ₱176,557.65 was for salaries and wages, as against a total income of ₱26,778.04. The net worth of the corporation was accordingly reduced from ₱2,000,000 to ₱1,740,125.98.

TABLE 68.—*Condensed balance sheet of the National Land Settlement Administration as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash.....	1,353,566.62
Accounts receivable.....	72,226.19
Other current assets.....	60,929.60
Advances to settlers.....	232,892.91
Deferred charges.....	30,320.00
Fixed assets.....	199,703.44
Total assets.....	1,949,138.76
Liabilities:	
Accounts payable.....	209,012.78
Special fund, Commonwealth Act 521.....	2,000,000.00
Deduct loss for the period.....	259,874.02
Net worth.....	1,740,125.98
Total liabilities.....	1,949,138.76

¹ Taken from annual report of the comptroller for the National Land Settlement Administration.

Tables 68 and 69 provide more detailed information as to the financial condition of the National Land Settlement Administration for the period from February 1, 1939, to June 30, 1940.

TABLE 69.—*Condensed operation statement of the National Land Settlement Administration for the period from February 1, 1939 to June 30, 1940¹*

Details	Feb. 1, 1939 to June 30, 1940
Income:	<i>Pesos</i>
Income from trading store.....	8,239.38
Income from rice and corn mills.....	193.72
Income from piggery.....	9,978.53
Income from poultry farm.....	1,862.62
Other.....	6,503.79
Total income.....	26,778.04
Operating expenses:	
Operation of trading store.....	5,150.59
Operation of rice and corn mills.....	767.21
Operation of piggery project.....	7,841.12
Operation of poultry farm.....	5,771.42
Other.....	11,097.91
Total operating expenses.....	30,628.25
Operating profit (or loss).....	(3,850.21)
General expenses:	
Salaries and wages.....	176,557.65
Other.....	79,466.16
Total general expenses.....	256,023.81
Net profit (or loss) for the period.....	(259,874.02)

¹ Taken from annual report of the comptroller for the National Land Settlement Administration.

NATIONAL ABACA AND OTHER FIBER CORPORATION

The National Abaca and Other Fiber Corporation, which was created by Commonwealth Act No. 332, approved June 18, 1938, was organized in November 1939. The authorized capital stock is ₱20,000,000, of which at least 51 percent is to be subscribed by the Commonwealth government. The remainder may be offered to local governments and the public. Up to June 30, 1940 ₱2,550,000 had been paid in by the Commonwealth government under Commonwealth Act 521 which authorized the appropriation of coconut oil tax funds for this purpose. The corporation was still in the stage of organization at the close of fiscal year ending June 30, 1940. As of that date its assets amounted to ₱2,551,236.14, of which ₱2,483,-781.27 was in cash.

Table 70 shows the financial condition of the National Abaca and Other Fiber Corporation as of June 30, 1940.

TABLE 70.—Condensed balance sheet of the National Abaca and Other Fiber Corporation as of June 30, 1940¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash.....	2,483,781.27
Other current assets.....	880.29
Deferred charges.....	18,526.86
Organization expenses.....	32,993.33
Fixed assets.....	15,054.39
Total assets.....	2,551,236.14
Liabilities:	
Accounts payable.....	1,236.14
Authorized capital stock.....	20,000,000.00
Unissued capital stock.....	9,800,000.00
Subscribed capital stock.....	10,200,000.00
Unpaid subscription.....	7,650,000.00
Paid up capital stock.....	2,550,000.00
Total liabilities.....	2,551,236.14

¹ Taken from annual report of the auditor for the National Abaca and Other Fiber Corporation.

NATIONAL POWER CORPORATION

During the fiscal year under consideration the National Power Corporation continued its investigation and study of water power possibilities. For this purpose the National government granted the corporation advances which totalled ₱532,530.27 as of June 30, 1940. Of this amount ₱162,099.11 appears to have been expended.

During the year construction was started on the Caliraya River Hydro-Electric Project, the most important among the various projects of the corporation. The cost of this project is estimated at approximately ₱8,500,000. To finance its construction the following bond issues were authorized:

Date of issue:	Amount of bonds (pesos)
Nov. 1, 1939.....	1,500,000
May 1, 1940.....	1,500,000
Nov. 1, 1940.....	3,000,000
May 1, 1941.....	1,500,000
Nov. 1, 1941.....	1,000,000
Total issue.....	8,500,000

Bonds for the first 2 amounts, totalling ₱3,000,000, were issued on the dates indicated and were sold locally at a premium amounting to ₱46,135.62. Of the bonds issued November 1, 1939, 22 percent were sold to the Agricultural and Industrial Bank and the Philippine National Bank and the remainder to private parties. Of those issued May 1, 1940, 96 percent were sold to the Agricultural and Industrial Bank, 2 percent to the Philippine National Bank and the balance to other parties. The Commonwealth government guarantees the payment by the corporation of both the principal and interest. Up to June 30, 1940, expenditures on this project had amounted to ₱488,952.70.

Table 71 is a condensed balance sheet of the National Power Corporation as of June 30, 1940.

TABLE 71.—*Condensed balance sheet of the National Power Corporation as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash.....	2,949,691.17
Other current assets.....	21,730.13
Deferred debits.....	162,099.11
Electric plant (construction work in progress).....	488,952.70
Total assets.....	3,622,473.11
Liabilities:	
Long-term debts:	
Bonds issued.....	3,000,000.00
Loan from National government, Commonwealth Act 120, as amended.....	532,530.27
	3,532,530.27
Current and accrued liabilities.....	43,807.22
Deferred credits.....	46,135.52
Total liabilities.....	3,622,473.11

¹ Taken from annual report of the auditor for the National Power Corporation.

NATIONAL TRADING CORPORATION

The National Trading Corporation was created in January 1940 by Executive Order No. 249, dated January 4, 1940, pursuant to authority conferred upon the President of the Philippines by Commonwealth Act 498 which grants him certain powers in case of national emergency, among which, "to purchase, store, provide storage facilities for, and to sell * * * commodities * * * in the manner and by methods customarily followed in the trade * * *." It has been indicated that price stabilization and service, rather than profit, are the prime objectives of this corporation. The National government has subscribed and fully paid for ₱5,000,000 capital stock. Government patronage is being secured and cooperatives are being organized. To expand its activities outside of the city, the corporation has acquired the cooperative stores of the Buenavista Farmers' Cooperative Association in Bulacan and Nueva Ecija.

The National Trading Corporation commenced business on March 18, 1940. As of June 30, 1940, its operation had resulted in a loss of ₱15,807.63. On the same date, assets amounted to ₱5,097,435.38, of which ₱4,742,003.09 was in cash. Against these assets, liabilities amounted to ₱113,243.01, leaving a net worth of ₱4,984,192.37 out of the ₱5,000,000 invested by the government.

Tables 72 and 73 present additional data concerning the operation of this corporation during the period March 18 to June 30, 1940.

TABLE 72.—*Condensed balance sheet of the National Trading Corporation as of June 30, 1940*¹

Details	June 30, 1940
Assets:	<i>Pesos</i>
Cash	4,742,003.09
Accounts receivable	25,147.87
Merchandise	139,458.79
Other current assets	167,467.56
Deferred charges	7,963.21
Fixed assets (less depreciation)	15,394.86
Total assets	5,097,435.38
Liabilities:	
Accounts payable	112,647.22
Accrued liabilities	595.79
Capital stock	5,000,000.00
Less net loss for the period per profit and loss statement	15,807.63
Net worth	4,984,192.37
Total liabilities and net worth	5,097,435.38

¹ Taken from annual report of the auditor for the National Trading Corporation.TABLE 73.—*Condensed statement of profit and loss of the National Trading Corporation for the period from Mar. 18 to June 30, 1940*¹

Details	March 18 to June 30, 1940
	<i>Pesos</i>
Gross sales	58,446.74
Cost of merchandise sold	56,177.88
Gross profit	2,268.86
Expenses:	
Merchandising	9,097.60
Administrative	9,038.73
Total expenses	18,136.33
Net operating loss	15,867.47
Deduct other income	137.79
Add other charges	15,729.68
Net loss for the period	77.95
	15,807.63

¹ Taken from annual report of the auditor for the National Trading Corporation.

METROPOLITAN WATER DISTRICT

The main construction work undertaken by the district during the period under review includes the extension of water and sanitary sewer mains outside of the City of Manila, and construction of property and garage buildings, rest house and laborers' quarters at Balara.

For the fiscal year ended June 30, 1940, income of the district was ₱2,530,718.58 and compares with ₱2,785,577.98 for the preceding period, July 1, 1938, to June 30, 1939. Expenditures amounted to ₱2,897,424.75 for the 1940 period and ₱2,582,384.84 for 1939. The result of operations in the fiscal year 1940 was a deficit of ₱366,706.17. Reports show that higher prices of imported materials occasioned by the European war accounted largely for the increase in expenditures while a reduction in the rates of water and sewer services, effective July 1, 1939, was responsible for the decline in income.

The net worth of the Metropolitan Water District as of June 30, 1940, was ₱18,203,775.54 as against ₱17,441,427.39 on June 30, 1939. The current surplus and the sinking fund reserves rose to ₱1,785,504.96 and ₱3,650,674.36 on June 30, 1940, from ₱1,251,879.10 and ₱3,323,618.91, respectively, on June 30, 1939. Due mainly to increased investment in fixed property, assets advanced to ₱31,047,395.08 on June 30, 1940, an increase of ₱1,264,532.18 over the figure a year ago.

On April 1, 1940, the seventh issue of the Metropolitan Water District purchase bonds under Act 3255 was offered for sale amounting to ₱500,000. Most of the bonds were bought by private parties, with the exception of ₱29,750 each which were acquired by the Philippine National Bank and the Agricultural & Industrial Bank. This increased the bonded indebtedness from ₱11,500,000 on June 30, 1939, to ₱12,000,000 on June 30, 1940. Commonwealth Act 438, approved May 31, 1939, had authorized the increase of the bonded indebtedness of the district from ₱12,000,000 to ₱20,000,000. The issuance of bonds to cover this additional indebtedness has been authorized under Commonwealth Act 528, approved May 11, 1940.

The following table No. 74 is a condensed balance sheet of the Metropolitan Water District as of June 30, 1940, compared with June 30, 1939.

TABLE 74.—*Condensed balance sheets of the Metropolitan Water District as of June 30, 1939, and June 30, 1940*¹

Details	June 30, 1940	June 30, 1939
Assets:		
Liquid assets unencumbered:	<i>Pesos</i>	<i>Pesos</i>
Cash.....	401,265.14	356,786.23
Other.....	1,199,988.61	785,588.74
	1,601,253.75	1,142,374.97
Deferred charges.....	184,251.21	109,504.13
Cash for other liabilities.....	1,213,798.57	1,686,880.69
Sinking fund:		
Cash.....	389,006.93	341,954.48
Investments.....	2,940,950.00	2,660,950.00
	3,329,959.93	3,002,904.48
Fixed property (less depreciation).....	24,603,584.77	23,683,661.94
Other assets.....	114,546.85	157,536.69
Total assets.....	31,047,395.08	29,782,862.90
Liabilities:		
Current liabilities.....	274,797.08	289,464.85
Public and private trusts.....	568,275.80	551,691.23
Deferred credits.....	546.66	279.43
Bonded debt.....	12,000,000.00	11,500,000.00
Net worth:		
Current surplus.....	1,785,504.96	1,251,879.10
Sinking fund reserves.....	3,650,674.36	3,323,618.91
Other reserves.....	164,011.45	682,267.44
Invested surplus.....	12,603,584.77	12,183,661.94
	18,203,775.54	17,441,427.39
Total liabilities.....	31,047,395.08	29,782,862.90

¹ Taken from the annual reports of the comptroller for the Metropolitan Water District.

THE PHILIPPINE RAILWAY CO.

This company is still under receivership. Reports available in this office indicate that the company continued to sustain losses in its operations. The net operating deficit of ₱267,192.29 for the 6 months ending June 30, 1939, as previously reported, was increased to ₱520,088.33 by the end of that year, and compares with a deficit of ₱478,336.57 for 1938. During the calendar year 1939 the net corporate deficit increased by ₱506,895 standing at ₱11,536,197.89 on December 31.

The following obligations remained unsettled as of December 31, 1939:

First mortgage sinking fund 4 percent gold bonds due July 1, 1937	Pesos 17, 098, 000. 00
Philippine Government advances on bond interest	1 12, 940, 809. 33
Bonds interest accrued	1, 778, 192. 00
Total	31, 817, 001. 33

¹ The Commonwealth records show this amount to be ₱12,943,695.78.

NATIONAL PRODUCE EXCHANGE

In addition to selling agricultural products, additional activities such as extending small credits to farmers and providing information on prices and market conditions for agricultural products were undertaken by the National Produce Exchange during the period under review. The sales of agricultural products, consisting principally of sugar, rice, tobacco, peanuts, corn, copra, rubber, and cassava starch, amounted to ₱105,735.71 for July 1, 1939–June 30, 1940, as compared with ₱84,304.76 for July 1, 1938–June 30, 1939.

As stated in the Third Annual Report of the High Commissioner, operation of the exchange is largely financed from Government appropriations. Receipts from membership fees, commissions earned, and other miscellaneous income for the fiscal year ending June 30, 1940, amounted to ₱941.41 and expenditures to ₱8,943.70—a deficit of ₱8,002.29. For the preceding 6-month period, January 1–June 30, 1939, known as the 1939 fiscal year, receipts were ₱832.88 and expenditures ₱6,243.53. As of June 30, 1940, the accumulated current surplus stood at ₱28,387.34, which is ₱8,002.29 less than the surplus a year ago.

Respectfully submitted.

FRANCIS B. SAYRE,
Francis B. Sayre,
United States High Commissioner
to the Philippine Islands.

To the President and the Congress of the United States, Washington,
D. C.

APPENDIX I

TO THE ANNUAL REPORT OF THE UNITED STATES HIGH COMMISSIONER, JULY 1, 1939, TO JUNE 30, 1940

The issue of the Manila Daily Bulletin of March 26, 1940, commemorating the fortieth anniversary of that newspaper, contains an interview with the High Commissioner regarding the future of American-Philippine trade and the political issues involved, as follows:

Mr. Sayre spoke as a statesman and an observer of world affairs. Seated behind his broad desk in the temporary office of the High Commissioner, he talked easily and yet seriously, with carefully measured phrases, his hands frequently making a characteristic gesture as though he were holding a sphere cupped in them.

"I am not going to talk about what I would like to see done," he said by way of a preliminary. "I am not going to talk about what would be good for the Philippines or good for the United States. I want to look as objectively as possible at the simple realities, at the political and social factors which come into play in trying to gauge the probabilities concerning Philippine independence.

"It is quite clear that the Filipinos cannot achieve their independence without severe economic strains and grave industrial dislocation. The risks from internal break down or external aggression are great and manifest. The decision by the Filipino people to ask for independence and by the United States to grant them independence were crucial and bold decisions. But these decisions have already been made. The issue today is, not the wisdom of the original decisions, but whether the program launched and entered upon can be or should be reversed.

"I will begin with a statement of the simple facts. In the first place, we are confronted with a program of independence, formulated in the Tydings-McDuffie Act, which was debated at length in Congress and which was submitted to the people of the Philippines. A plebiscite vote was taken here adopting a constitution based upon that program. That created a situation which involves a moral obligation on the part of the United States not to alter materially that independence program except with the consent of the Filipino people. America cannot well alter that program unless and until the Filipino people ask for alteration, make a specific request.

"In the second place, no alteration can be made unless and until Congress passes an affirmative vote in both House and Senate changing the program. The program, so far as I can see, should not and will not be altered without, first, a request from the Philippine Assembly, presumably backed by a plebiscite vote; second, an affirmative vote by a majority of both houses of Congress."

"What are the probabilities, then, so far as one can gauge them at the present time, of obtaining an affirmative vote both in the Philippines and in the United States?" the High Commissioner was asked.

"I am not attempting to prophesy," came the answer. "We do not know what the world is going to be like 6 years hence. When raw power politics are sweeping the world no one can foretell the future. All I am attempting to do is to gauge the situation so far as one can measure it at the present writing.

"Let's look at the political realities. First, with regard to the situation in the Philippines. Is it likely that we will see the Philippine Assembly or the Filipino people denying the hopes and aspirations to which they have tenaciously clung for over 40 years? My own reaction, looking at it objectively, is that it seems unlikely. As I view the situation, the movement toward independence is like the flow of a great river that has swept both peoples along in its current. Independence has not yet been obtained, but commitments on both sides have been made and both peoples have been carried along to a point from which it would be difficult now to turn back.

"Every people and every race aspire to independence, and quite rightly so. The Filipino has tasted a substantial measure of it already under the Commonwealth Government. I do not believe they would voluntarily relinquish any of the autonomy which they now enjoy. In fact, I think they would be unwilling to accept, following 1946, any form of government, even that of a dominion, which would restrict them to what they now enjoy. Remember President Quezon's statement before the Assembly last month. The only kind of arrangement, he said, which he would be willing to consider would be one giving to the Filipinos full and complete control over immigration, imports, exports, currency

and related financial subjects, as well as the right to conclude commercial treaties with other nations without being subjected to the supervision and control of the United States.

"Dominion status has been proposed as a possible compromise solution of the problem. But considerable confusion results from the failure to define precisely what is meant by 'dominion status.' The Philippine conception of what this would involve is miles apart from the current conception in the minds of most Americans. Those in the United States who talk about postponing Philippine independence beyond 1946 assume almost without question that the American Government would continue to exercise full control not only over matters pertaining to foreign affairs, but also over tariffs, immigration, currency, and financial matters and the public debt. One cannot maintain responsibility for another unless he has control over the other's activities. Responsibility and control are correlatives. In short, the tide has carried both the American people and the Filipino people to a point where the only kind of dominion status which the Filipino people would probably be willing to accept would be one which the United States could not grant."

"You don't think, Mr. Commissioner, that the fear of foreign aggression, possibly from Japan or from some other country, might change these views?"

The Commissioner smiled, and paused.

"Of course," he said, "no one can foretell the future. The world might be so different in 1946 that everything that I have been saying would have to be thrown out of the window. Unless conditions should change very materially, however, I think it is unlikely. I should be much surprised to see the Philippine Assembly vote to reconsider the present independence program."

"If reversal in the Philippines under changed conditions is a possibility, what are the probabilities in the American Congress?"

"Suppose the Philippine Assembly should pass such a resolution," the Commissioner replied. "That action in itself, of course, would not change the program. The final decision rests with Congress and with Congress alone. From the point of view of present realities, I think of the year 1934 when the Tydings-McDuffie Act was passed. It was passed partly as the result of heavy pressure brought to bear by powerful lobbies. I am not one of those who believe that the Tydings-McDuffie Act was solely the result of a sugar lobby. Other persistent groups, some sincerely interested in the welfare of the Philippines, some pacifists, and some promoting other agricultural interests, also brought pressures to bear in various directions."

"I feel sure that many members of Congress would be seriously swayed by the wishes and desires of the Filipino people. But at the same time I do not see any present lessening of the strength of those various groups in Congress which pressed for the passage of the independence act. Some of them are even stronger now than they were in 1934. As far as I can look ahead, I do not see anything which is likely to change their weight and their power in Congress in 1946. And don't forget that it takes an affirmative vote of both houses to make the change."

During his years of service as Assistant Secretary of State, Mr. Sayre had unusual opportunity to view and weigh international trends. Many of his public speeches as representative of the State Department reflected this experience. These viewpoints, developed through years of contact with international affairs, he has brought to the Philippines as High Commissioner. He believes the trend is against empire building.

"During the eighteenth and nineteenth centuries," he said, "far-flung empires were in order. They were practicable. The military cost of defending such empires was not prohibitive. In those times there were no submarines or airplanes or modern high-powered artillery. Since that day the world has been revolutionized. Ocean steamships, telegraphic communication, automobiles, the radio, and the spread of general education have changed the face of the globe. The introduction of aircraft and submarines has completely transformed modern warfare. The defense of far-flung empires today cannot rest upon battleships alone. Under twentieth century conditions the cost of defensive fortification has grown to staggering proportions."

"Take, for instance, Corregidor, magnificently defended. It has cost the American taxpayers millions of dollars. As naval and aerial warfare develop in the future, additional millions must be poured into its defenses if they are to be kept abreast of advancing developments. Yet the cost of Corregidor isn't a drop in the bucket compared to what the United States would have to appropriate to make the Philippines impregnable in the years to come. Even if the taxpayers were willing, could the Nation afford it?"

"The completely changed conditions of the twenty-first century will mean that many of the old policies and pretices of the eighteenth and nineteenth centuries will have to go. If we do not learn to supplant war by effective methods of international cooperation I wonder whether it is going to be practicable for nations to undertake to maintain and defend the kind of far-flung military empires which developed in the eighteenth and nineteenth centuries.

"When it comes to applying these thoughts to the Philippines, the answer seems obvious. Even if there were no Tydings-McDuffie Act, even if no plans and hopes hung on the year 1946, I suspect that American armies would no longer be in the Philippines in the twenty-first century. I suspect that the Tydings-McDuffie Act and its incidents are merely a part of a great world drama in which we are participants."

"Then if the Philippine Islands are to become independent in 1946, Mr. Commissioner, will it mean the end of existing trade preferences?"

"To answer that let me first ask another question. Why should the United States seek to discontinue trade preferences as a permanent policy? The answer is this: There are two possible policies on which a nation may base its international trade. One policy is to trade on the basis of equality, treating all nations alike which do not discriminate against it. Such a policy means uniform tariff rates. It rests upon the most-favored-nation principle, which is only another name for equality of treatment.

"The other possible policy is preferential treatment. Under such a policy, a nation seeks to secure preferences in the markets of other nations for its own goods and offers in return preferences for foreign goods in its own markets.

"Which of those two policies should the United States follow? The second one looks pretty good at first blush. It would mean that, if we were successful in following it, American goods would have preferential treatment in foreign markets and that we would give preferential rates to our friends. But the trouble is that under a policy of preferential treatment American export trade is exposed to widespread discrimination. You have to remember that every preference you give means a discrimination against the goods of every other nation. Every time you give a preference to another country in your own market you are discriminating against the goods of all other countries. This means that all the other countries in the world interested in that trade are going to discriminate against you. You can easily see where that leads. Eventually it means unceasing economic warfare—your hand against every other nation and their hands against you.

"Such a policy eventually would kill export trade, and we are vitally dependent upon our export trade. George Washington, in his Farewell Address, warned against a commercial policy of discrimination. The United States in general has followed the practice of equality of treatment since its earliest days.

"When we were negotiating the British and Canadian trade agreements, one of the most difficult fights we had was against the system of existing British imperial preferences under which exports, for instance, from the United States were given less favorable treatment in English markets than exports from the dominions. Throughout the negotiation of that agreement we fought for the reduction or elimination of trade preferences. If the United States should grant permanent preferences to the Philippines after they have become an independent nation, it would cut away the ground from under our feet in our fight against discriminations against American exports in the markets of Europe and the world.

"You see, then, why it would be unwise for the United States, viewed from the need of protecting our world trade, to depart from the system of equality of treatment and adopt a policy of preferential treatment, which is only another word for discrimination. When the Philippines become independent, the United States must look toward equality of treatment."

"But would this preclude some kind of temporary arrangement between the United States and the Philippines regarding trade preferences?"

"No, it would not. Let's look at the actual situation in 1946. If the program under the Tydings-McDuffie Act were carried through without modification, it would mean the payment by the Philippines of full American duties on goods shipped to the United States after 1946, and, correspondingly, payment by the United States of full Philippine duties on American goods shipped to the Philippines.

"That would mean drastic economic dislocation. People have invested their money out here and built up various businesses dependent upon selling Philippine products in American markets. Much of this, in fact, is American capital. It would seem to me entirely unnecessary as well as disastrous to reduce Philippine-

American trade drastically overnight. The joint preparatory committee recommended that as a long-term policy Philippine preferences in the United States and United States preferences in the Philippines should be eliminated, but that this should be achieved only gradually, at the rate of 5 percent a year for 20 years. The object of that recommendation was to give to business and industry an opportunity for gradual adjustment, so that each industry would have a chance to make necessary changes little by little, perhaps by cheapening the cost of its product or by building up the production of byproducts or by making gradual shifts into other forms of industry or other fields of production. It was hoped that in this way those engaged in each industry could accommodate themselves to the changed conditions. Every new invention means change. All trade is fluid. The point is to avoid changes which are abrupt and disruptive. Gradual change is the life of trade, and the ability to adapt itself to change is the life of business.

"When we introduced our bill into Congress last winter to effectuate the recommendations of the joint committee, the bill was framed to provide for a gradual tapering off of these preferences—5 percent a year beginning in 1940 and running down through the post-independence period to 1960. Political independence could be given in 1946 and full economic independence in 1960. But some of the leaders in Congress felt that it would be unwise to legislate, as early as this, for the post-independence period following 1946. Too many changes might come about. It was agreed to cut the bill in half and to legislate in 1939 only for the period running up to 1946. That was done and the act of last summer gives effect to the recommendations of the joint committee for the period up to 1946. As to the period following 1946, we will wait and see.

"The act of 1939, however, also contained a provision to the effect that a conference should be held not later than 1944 for the purpose of formulating recommendations as to future trade relations between the United States and the independent Philippine Republic. My own hope and expectation is that, following the 1944 conference, a new bill will be introduced, embodying more or less the recommendations of the joint committee. I hope to see a progressive and gradual termination of existing preferences so as to obviate the disastrous and quite unnecessary economic dislocation which would follow the cutting off of these preferences overnight."

"One last question, Mr. Sayre. Do you believe that the Filipinos are ready for independence?"

Mr. Sayre paused to think for a moment.

"One can theorize about that till kingdom come," he said. "There is only one practical way in which the question can ever be truly answered. That is through actual experiment. Was the United States ready for independence in 1776? There were many people then who would have answered no. By actual experiment we proved that we were. That does not mean that we were not guilty of grave mistakes and even at times of glaring incompetency. We had to learn by experience. I hope we are still learning and profiting by experience. That is the only way the indescribably difficult art of self-government ever can be learned.

"Finally, we must not forget that when we assumed sovereignty over the Filipino people in 1898 we assumed a high responsibility. For 40 years we have taught them our ideas of liberty and democracy and self-government. Because the ideas we implanted in them are now taking form in a deep-seated, irrepressible popular movement toward self-determination, need we feel that it means the end in the Island of American ideas and American ideals?

"If because of present-day fear of foreign aggression some Philippine voices are now heard counseling postponement of independence we must not be deceived into believing that the popular aspirations for independence are dying or diminishing. If the Filipinos remain true to our own teachings, if they remain human, they will never cease to aspire for independence and until these aspirations are satisfied there will not be rest or equilibrium. This I believe to be an objective reality which we cannot afford to blink.

"On one point my mind is clear. In view of the high responsibility which we assumed in 1898 and which we have carried ever since, the American Nation is under a strong moral obligation to the Filipino people, if and when we give them independence, to give it to them under the conditions best suited to make the success of their great experiment practicable and possible. So far as possible we must ease their economic burden; we must so far as we can deal them the cards with which to win. They are the ones to carry American ideas and American ideals through the Far East. We ourselves have a stake in their success. I am for helping them so far as we legitimately can to succeed as we succeeded in 1776."

APPENDIX II (a)

ADDRESS BY THE HONORABLE FRANCIS B. SAYRE, THE UNITED STATES HIGH COMMISSIONER BEFORE THE AMERICAN CHAMBER OF COMMERCE, AT THE INAUGURATION OF THEIR NEW QUARTERS IN THE HEACOCK BUILDING, ON MONDAY, NOVEMBER 13, 1939, AT 6 P. M.

I feel honored and happy that you should invite me to be with you this evening. I am particularly glad to have this opportunity to meet all of you and to be welcomed into your group. For this group represents a tradition and an achievement that seem to me the very essence of America. You represent the American pioneer spirit of the twentieth century. Just as the American spirit in the late eighteenth century manifested itself in the sturdy frontiersmen who pushed out across the Alleghenies into the backwoods and built the empire of the Tennessee and the Ohio and the Mississippi Valleys, just as the American spirit in the nineteenth century manifested itself in the forty-niners and the covered wagon and the pony express, so in the twentieth century that same spirit, aggressive, indomitable, still pushing westward and reaching out into new places, took root in the Philippines, triumphing over difficulties, overcoming seemingly insuperable obstacles, building securely for future generations. Without detracting from the achievements of the Filipino people themselves, I suppose it is fair to say that Manila today is what it is largely because of American initiative and enterprise and vision.

The backwoodsman and the forty-niner and the pony express rider have gone, but American initiative and pluck and resourcefulness are still pushing forward and achieving. Thank God, the American spirit still lives!

The future hangs in uncertainty. But one thing seems clear. Whatever the future may bring, whether or not American sovereignty continues in these Islands, we shall never be able to set the clock backwards and return to the conditions of earlier days. The past is gone irretrievably. Revolutionary changes are transforming the world with a rapidity which is breath-taking. Here in the Philippines we surely cannot escape, even if we would, this profound and world-wide movement of transformation and consequent economic dislocation.

Yet surely the group of American business pioneers who have been building here for 40 years will not fear change and new adjustment. Change means life; absence of change means stagnation and the end of growth. To the pioneer American spirit, change and adjustment mean but new challenge for fresh endeavor. Difficulties and the necessity of meeting new conditions are what the American spirit has been bred upon since our earliest days.

During the approaching years the Philippines must face economic difficulties which will be grave. It will not do to shut our eyes to these. But following the present war almost every country will be

facing economic difficulties—some of them seemingly insuperable and many far graver than those faced by the Philippines. Difficulties do not spell defeat.

One alternative will be to accept passively heavy material losses, lower standards of living, lessened production. This is the way to defeatism and surrender.

The other alternative will be through ceaseless effort and study and experimentation to seek a progressive and constant adjustment to changed conditions, ever struggling toward greater economies in production and wiser adjustment in the planning and machinery of production. This is not the obvious or the easy way. It means struggle and sacrifice. But it leads ever forward and upward to a larger life and a higher standard of living for the individual men and women who compose the nation. It is the American way.

This is the pathway which, I feel sure, the Filipino people will want to take. And in following it they will need again and again the resourcefulness and the energy and the vision which Americans since the days of 1898 have freely contributed. In the face of such a need I feel confident that the new nation will not fail to extend its friendly protection, encouragement, and support to such a group of dauntless builders as have gathered here under the American flag; for apart from all other considerations such a group can be of incalculable assistance to a youthful nation struggling forward and seeking to develop its material resources and to lay the foundations for nationhood. Philippine independence surely will not mean the end of American cooperation. Civilization goes forward when different races and different cultures join hands and make their contributions each to the other.

Also, it is well to remember that Philippine independence does not mean the end or cessation of Philippine-American trade. For 40 years Filipinos have been learning to use American commodities and Americans to use Philippine commodities. Independence will of course mean changed conditions and far-reaching economic adjustments. But it will mean building up a trade on new foundations which will be more permanent and sound than the present highly artificial ones. If the Philippines choose with the United States to build their trade on liberal commercial policies, our reciprocal trade can develop far.

A nation's commercial policy may follow either one of two sharply conflicting courses. On the one hand, in spite of the inescapable fact of the present-day vital interdependence of national economies, a nation may either ignore or seek to overcome this fact and follow an isolationist economic policy based upon narrow nationalism. On the other hand, a nation recognizing the undeniable advantages that come from the international exchange of goods, may adopt an economic policy based upon a broad liberalism and the furtherance of international trade. The choice between these two alternative policies has profound and far-reaching consequences not only in the nation itself but in the world at large.

The policy of economic nationalism leads to consequences which are well-nigh inevitable. At first the government must exercise an increasingly strict control over exports and imports, through such measures as quota restrictions, exchange control, import licensing, and the like. Later, as the economic strains grow more and more

intense, the government must undertake a rigid and arbitrary control over domestic industry and business.

The nation forced into such a rigid and arbitrary economy, denying individual liberty, undertaking a totalitarian regulation and control over its citizens or subjects, finding it necessary to deny them fundamental rights such as defined in our own Constitution, comes to be the very antithesis of democracy. Surely it is no accident that today the most outstanding dictatorships are in those nations most deeply committed to economic nationalism. I do not mean to suggest that either is necessarily the cause of the other. I do suggest that the two ordinarily are close companions and go hand in hand.

In sharp contrast with the commercial policy of a narrow economic nationalism is that of liberalized trade and freedom of economic initiative. This has been the policy of the United States, particularly during the past 5 years, as embodied in the American trade-agreements program. Ours is a policy based upon individual liberty as contrasted with rigid governmental control and suppression. Its objective is more trade for the United States and more trade for the world, for we realize that only through international trade can national standards of living be maintained and human progress be had. It is based on equality of treatment of all nations, for only thus can economic conflict be avoided and the foundations for lasting peace be built.

One of the fundamental objectives of such a policy is to allow trade to flow through normal channels as shaped by economic considerations. I do not mean free trade, nor do I mean a return to nineteenth century *laissez faire* principles. What I mean is that under the American policy trade is a matter of economics and not of international politics; that individual freedom and initiative under government control are given a vital and a large importance and not ruthlessly eliminated; that the supreme values sought are more abundant lives for individual human personalities and not the government's place in the sun.

You see at once how deep-rooted are the consequences of a nation's choice of commercial policy today. We are touching close the crucial struggle of our times—the struggle between individual freedom and the advance of civilization on the one hand, and ruthless suppression and a new dark age on the other.

These are some of the fundamental issues which crowd upon our horizon. Whatever eventualities may befall us, I have faith in the future of our nation if only we keep true to our American ideals of democracy and individual liberty. And I like to think of the Filipino people, aided by a group of American pioneers like yourselves and prizing that aid, working out their own destiny along these same lines, carrying into Eastern Asia something of this same American spirit and these American ideals.

APPENDIX II (b)

ADDRESS BY THE HONORABLE FRANCIS B. SAYRE, THE UNITED STATES HIGH COMMISSIONER TO THE PHILIPPINE ISLANDS, AT WASHINGTON'S BIRTHDAY RALLY, ON THURSDAY, FEBRUARY 22, 1940, AT 9:15 A. M., METROPOLITAN THEATER, MANILA, P. I.

We are gathered together this morning to celebrate the birthday of a very great man. Sometimes, I suspect, the fact that he was the Father and the first President of a nation which has become one of the most powerful of our day obscures the true greatness of the man. We are apt to forget that he was a man of flesh and blood and passion, confronting overwhelming difficulties, often thoroughly discouraged and disheartened, again and again facing apparently sure disaster, yet never admitting defeat.

He was the man to whom his countrymen turned when, fired with reading Eighteenth Century philosophers they resolved to declare their independence of a government which followed the common and accepted practice of exploiting its colonials for its own benefit. Governments, they held, exist for the benefit of the governed and must be made subordinate to individual human rights and liberties. Listen to the flaming words of the American Declaration of Independence: "We hold these truths to be self-evident, that all men * * * are endowed by their Creator with certain unalienable rights, that among these are life, liberty, and the pursuit of happiness—that to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed, that whenever any form of government becomes destructive of these ends, it is the right of the people to alter or to abolish it." Bold words these!

The question was whether this shining new philosophy, evolved by Eighteenth Century theorists, was practical and could be made to work. It had never been put to the actual test before.

In this bold experiment Washington dared to assume leadership. It meant war. He went into the struggle with scanty troops, which in the winter of 1776-77 had dwindled to only about 4,000. Throughout the war he had to fight his battles and maintain his army with insufficient munitions, insufficient money, insufficient food, insufficient clothing, and with no way of procuring adequate supplies. The Continental Congress failed him utterly. Every circumstance seemed against him. Up to the very end seeming defeat stared him in the face. In April 1781 he wrote: "We cannot transport the provisions from the States * * * because we cannot pay the teamsters * * * our troops are approaching fast to nakedness, and we have nothing to clothe them with; our hospitals are without medicines * * * we are at the end of our tether."

Men today still wonder how, under the spell of that indomitable leader, victory was finally wrested out of defeat and the long hard

struggle ended with the triumph of the youthful nation, pledged to a government founded on democracy and human liberty.

We delight to gather this morning to do him honor. Those who have never traveled far from home perhaps never can quite realize how thrilling it is for men and women of different ages and ranks and faiths to foregather and renew together their common allegiance and devotion to their country. Through these stirring days, when every part of the world is wracked with suffering and tragedy and disaster, we are beginning to realize as never before how blessed we are to be Americans—citizens of a country still enjoying the profound blessings of peace. I suspect that more and more of us these days are thinking about what it means to be Americans.

We have a great heritage. But at this time it is not so much the past, as the present and the future which most vitally concern us. The ideals of human liberty and democracy upon which our nation was built are more needed in the world today perhaps than ever before. Powerful nations have arisen to challenge them, denying the validity of Christian ethics, basing their ultimate faith upon physical force rather than upon right, suppressing individual human liberties in the deification of might and material power. They would make brute force the final arbiter of everything in the world.

In the final determination of this cataclysmic struggle I pray God that the United States will not be forced to take up arms. So far as one can see, the United States, if she measures up to the task ahead, will be in a position to achieve more for the world in the long run by not becoming a participant in the dreadful struggle. At the conclusion of the war America may have an opportunity such as seldom comes in history. What concretely will be her task?

First, she will have the immediate and pressing duty of binding up Europe's wounds. There will be shortages of foodstuffs, shortages of clothing, shortages of raw materials for factories and industries. The United States will be the reservoir of supply; and if Europe is to be saved from hunger and destitution and if her machinery of production is to be made to function again, the United States will have before it a major problem of distribution, which will have to be solved from the point of view, not of making money, but of building and reconditioning a shattered machine. We shall need reconstructed European markets if we are to sell our surplus production and keep our own people at work; but this is but a secondary consideration. The only way this task can be successfully performed is upon the basis of broad statesmanship rather than of narrow sectional self-interest or acquisitiveness.

Second, war means in large part the suppression of individual liberties and the interruption of ordinary processes of democracy. The more intense the war the greater the eclipse of individual liberty and democracy. It is not unlikely that at the end of the European war the United States will be the remaining stronghold where individual liberty and democracy are still held sacred and remain unimpaired. It will then be our task to rekindle the torch in Europe so far as in us lies. To do this it is imperative that in a war-fevered world we retain our sanity and maintain our faith in tolerance and human kindness and Christian brotherhood. We must keep untarnished our guiding ideals of individual liberty and democracy if we are to make these live again among the peoples of Europe.

Third, with the close of the war huge bodies of men marching home from the battlefields will be out of work. Munition plants will close down. The returning soldiers will find their old jobs gone and many peacetime factories closed and out of repair. The economic world of Europe, both those nations which fought and many of those which remained neutral, will face shortage of capital, lack of raw materials, disrupted trade routes, and nationalistic trade barriers effectively cutting off foreign markets in which to sell each nation's products. Industrial enterprise will have to shift from a war to a peace basis; and this will mean drastic dislocation, large-scale unemployment, and serious social unrest. At such a time, if civilized standards of living are to be maintained, wise economic leadership by the United States will be a necessity. We must throw the powerful influence which is ours into a world-wide movement for the reduction of international trade barriers; for mounting barriers strangle international trade, upon which national standards of living directly depend. We must not allow our unhappy experiences of the Twenties in international lending to prevent our going forward when the time comes with international loans which are sound and good business risks. We must, through the weight of our influence and example, prevail upon other nations to supplant practices of economic discrimination by equality of commercial treatment, along the lines of the American trade agreements program. We cannot afford to repeat the tragic mistakes of the last post-war period. The duty of our own country with its inexhaustible supplies, its incomparable markets, its oversupply of gold and of wealth, is manifest. Wise and high-visioned economic leadership on our part is an obligation that we owe to civilization. Otherwise our own economy will crash with that of the rest of the world.

Lastly, it must be clear that if mankind is unable to supplant war by some other effective method for the settlement and adjustment of international disputes and misunderstanding, our civilization will surely crack to pieces. War, the ultimate appeal to force, has become too gigantic, too costly, too sweeping in its destruction of civilian and soldier populations to survive in the same world with civilized man. If mankind has the wit to make himself the survivor, nations, even at considerable sacrifice and cost, must learn methods of cooperation which are practical and must achieve peaceful adjustment of their problems. If peace is to be enduring it must be an organized peace. The fact that the League of Nations did not prevent war does not discredit the principle of international cooperation. It means rather that we must put more earnest effort into finding better and more effective methods of international cooperation, and that all the great nations of the earth, victors and vanquished alike, must take an equal part in this work of organizing peace. Power and responsibility cannot be permanently divorced, and the United States must assume the responsibility that goes with her power. We no longer stand on the edge of things as we did through part of the Nineteenth Century. Twentieth Century America stands at the very heart of world civilization. We must discard Nineteenth Century small-town thinking, and instead think and act in terms of our Twentieth Century responsibilities. Upon our success in this depends our very survival.

These are some of the tasks which await us. Admittedly they are herculean, bristling with difficulties, perhaps seemingly impossible. But they are no greater than those which Washington faced during those tragic and heroic days of the Revolution. Imbued with the same supreme spirit as Washington manifested in those Revolutionary days of travail, undaunted, resourceful, unconquerable, may the American nation, grown now to strength and mature power, assume world leadership in the dark days ahead, helping the world to bind up the wounds of war and to find the road to lasting peace.

APPENDIX II (c)

ADDRESS BY FRANCIS B. SAYRE, THE UNITED STATES HIGH COMMISSIONER, AT THE COMMENCEMENT EXERCISES OF THE UNIVERSITY OF THE PHILIPPINES, ON TUESDAY, APRIL 2, 1940, AT 5 P. M.

I consider it a rare privilege to have the opportunity of coming to this great University and of talking to you on this afternoon. To you of the graduating class this day will always stand out as one of shining memories, when you crossed the threshold from day-dreaming youth into responsible and independent manhood and womanhood, about to put to the acid test the ideals and theories which you have slowly been building up in the sheltered cloisters of the academic world.

Surely I need not remind you that education of itself guarantees no highroad to success. Education is a means to achievement, but never an end in itself. Mere learning, unless it be applied to some useful end, may become a drug on the market. Nor does it necessarily constitute a national asset, it is a power which can be used equally for evil as for good. What a people to be great must have is, first and foremost, moral stamina and integrity of character. With this must go the rugged strength of purpose, the courage and the grit, that conquers all odds and refuses to recognize defeat. After this must come intellectual ability and education. Never make the mistake of thinking that education comes first.

This afternoon I want to talk to you quite simply about some of the fundamental issues which you will be facing. You are graduating at a time which may prove as critical for the future of the Filipino race as any period of its history. It seems in some ways unfortunate that this crucial formative period comes at the very time when the entire world is shaken with schism and torn with strife. It is a time when men are questioning and many denying our most sacred beliefs and inherited faiths; the very foundations of our Western civilization are today under fire. Will you, following the American traditions, build upon the great fundamentals on which we have established our civilization, or will you, following the lead of modern dictatorships, turn to other ways?

I

Take, for instance, our faith in democracy. There was a time in the later Eighteenth and early Nineteenth Centuries when a passionate faith in democracy was assimilated to something very like Divine guidance. You remember the saying "*vox populi, vox Dei*." Today we know that is not true. We have learned that the vote of an uninformed or misguided electorate can be just as evil, just as tyrannical, just as capricious, as the decision of an absolute monarch or of the worst of dictators. Democratic forms of government lend themselves so readily to the abuses of demagogues and insincere politicians skilled in little else except the art of buying elections with lavish empty promises that democracy has again and again been marked with wasteful extravagance and crying inefficiency.

Seizing upon these and other shortcomings of democracy, men have arisen in recent years, seeking the reins of power for selfish purposes, who have talked their followers into believing that democracy is outmoded, that it no longer suits Twentieth Century needs, that it rests perforce upon divided counsels and is therefore necessarily a weakening and disintegrating force, that a virile nation demands strong leadership which democracy cannot give and that the conquering nations of the future, therefore, will be those led by masterful men who know their own minds and who are not hampered and curbed by parliaments and legislatures and endless debates. So persuasive have been these arguments, and so practical has proved this new avenue to power, that today some of the most important nations of the world are committed to the overthrow of democracy.

Democracy versus dictatorship. Admitting the shortcomings of democracy, does it follow that dictatorship is a superior form of government or better suited to Twentieth Century needs? Here is a crucial and fundamental question which you, building the new Philippine nation, will be called upon to determine. Will the enemies of democracy be able to captivate you with superficial arguments? Here is where education and intellectual training must serve to guard you against shallow judgment and emotional decision.

In the last analysis, democracy means government through processes of education; dictatorship means government through fear. Surely there can be no question which is the sounder and better form of government from the viewpoint of humanity. Furthermore, democracy, despite its shortcomings, possesses an inherent strength which no other form of government can possess—which in the final outcome must make it invincible. The fundamental fact of history is that the power of a nation ultimately rests in its people. Once the government separates itself from the people its power is ended. Dictatorship carries always implanted within it the seeds of its own ultimate destruction. For once the dictator, surrounded by intriguing sycophants, decides a really vital issue *against* the will and desire of the people, his days are numbered. No dictator can permanently stand against a whole people. Democracy, on the other hand, rests inherently upon the consent of the governed; and the democratic government, therefore, as long as it truly expresses the will of the people, will always have at its back the entire strength of the people. In the long last democracy will survive dictatorship.

Democracy is not a mere philosopher's theory. Our faith in democracy is the result of centuries of hard experience, evolved painfully by trial and error, bought with the blood of many of our noblest and our best. It is the forced recognition of the facts of history that the power and strength of a nation ultimately rest and always must rest upon its people. Democracy has its roots in a belief in the slow processes of education and in the Christian teaching of human brotherhood. Experience has shown that the progress of civilization has gone hand in hand with advancing democracy and that conversely time after time tyranny and autocracy have stemmed human progress.

You, graduating today—have you thought this problem of democracy versus autocracy through? To you may perhaps be given a leading role in determining what part democracy is to play in Asia. Will democracy in Asia require different patterns from democracy in Western Europe and America? That is a question which cannot be

answered except by long experience and by the work of educated and consecrated men. Have you a fundamental faith, not necessarily in Western forms of political democracy, but in democracy itself? Are you ready, if necessary, even to lay down your lives for it? If so, yours cannot be a passive role in this coming generation. You can make your lives in the days ahead supremely thrilling—if only you keep the faith.

II

Another fundamental issue which you in the critical days ahead will be called upon to face is the question of individual liberty. We of the Western world have come to believe, again as the result of centuries of painful experience and struggle, that individual liberty is one of the highest values to be conserved in social and political organization. Under the primitive practices of savagery the good things of life go to the strong; might makes right; those take who can. As civilization advances men and women organize to protect the weak and to curb the rapacious strong; laws are enacted and government organized to afford security of person and of property to each individual regardless of the measure of his strength. As progress continues the old struggle for power is shifted from the purely physical plane to the economic or social one; those possessing economic or social strength constantly seek power through the exploitation of the rank and file of less fortunate individuals.

This age-old problem of protecting human rights and liberties manifests itself in many forms. Stated in economic terms, is it more advantageous that the returns from production be concentrated in the hands of a privileged few, so that as they spend this wealth prosperity will ultimately filter down to the lowest ranks of workers; or should there be a more even distribution of wealth so that the humblest workers may have more of the good things of life and be assured of an adequate living wage for themselves and the dependent members of their family? There you have the unending struggle between monopoly and special privilege on the one hand, and the unprivileged common people on the other. Or, if the problem be viewed in its current political form, shall the chief end of government be to build up a super State to which individual lives shall be freely sacrificed so that its leaders may play the game of power politics triumphantly and so spread throughout the world its culture, its philosophy, and its trade, or shall the chief end of government be the building up of a more abundant, happier life for individual men and women? In other words, what are the highest ultimate values in life? Are they to be found through a form of government which subordinates the welfare of the people to the power of the privileged few or through a form of government which seeks to give a more abundant and secure life to the unprivileged ranks of individual men and women?

The slow upward struggle through the centuries for individual liberty involves all of this and more; it is the struggle of the heartless strong against the weak, of the privileged few against the many, of those who would resort to force to support their authority against those who believe in law and the sanctity of the pledged word and the enforceable rights of the humblest individual. Belief in individual liberty has its roots in the Christian teaching that human personality

is the most precious value in the world and that every human soul is of infinite worth. The advancing progress of Western civilization is roughly measurable by the degree to which individual lives have been made secure in "life, liberty and the pursuit of happiness"—to the degree to which right has been made superior to might. We have still a long, long way to go; but surely we have come at least a part of the way upon that arduous ascent.

Yet in large and important sections of the world today belief in individual liberty is disappearing.

The Communist does not believe in it. Individual rights to him are as nothing compared to the great objectives toward which he is driving. Entire classes of individuals can be "liquidated" almost with indifference if they stand in the way of the fundamental goals of Lenin.

The Nazi does not believe in it. Individual rights to him are only obstacles blocking the way of the State in its march to supreme totalitarian power. In the eyes of the Nazi a people's road to triumph lies through the strength of the State; individual liberty under twentieth-century conditions in his eyes is the way of weakness. Ask a Communist or a Nazi today what individual rights he possesses against the State?

And what of you? In the passionate struggles of humanity, often ignorant and turbulent, against feudal lords, against sovereigns insisting upon "divine rights," against ruthless combinations of employers or pressure groups seeking selfish political privileges, against modern dictators, is your heart on the side of the totalitarian State and those seeking their ends through force and suppression or is it on the side of human rights and liberties? Do you fundamentally believe in gaining ultimate objectives through regimentation of the multitudes and increased power for the few or would you instead seek to develop a more abundant life for the myriads of individuals who bear the world's burdens? Upon which faith are you going to seek to build the Filipino nation?

III

The most fundamental and crucial issue of all which you will face and sooner or later be compelled to decide is the kind of faith on which you will base your national life. Savage man built his existence upon brute force. Slowly and painfully through the centuries mankind has struggled upward and found a better way of life—one based on moral restraint and cooperation and the sanctity of ordered law. By organizing and building his social life upon moral and social restraints man has found a practical way to increase illimitably the security of each individual life, to enlarge to noble proportions the sphere of human happiness, and to enrich immeasurably his existence. In a word, human brotherhood has by actual experience proved a more fruitful and rewarding way of life than that of tooth and fang. In the slow evolution of human civilization the ascendant races have been those which have succeeded in developing a high moral code and effective social restraints, which have succeeded in supplanting the chaos of unbridled force by a rule of enforced order and law. Advancing civilization is inescapably built upon moral foundations, upon forbearance from injury to others, upon the right of the individual to

the security of his person and his property, upon the sanctity of promises and of international treaties. This is true whether applied to the local community, to the nation, or to the international world.

During the past few years events have taken place which challenge the very existence of international order and indeed the very fundamentals upon which a Christian civilization must be based. Not once, but many times, on a vast scale, territory has been invaded, homes destroyed, property seized, and innocent people imprisoned and killed under no shadow of right or possible justification except superior strength. The supreme question which we and all the world face today is whether or not we are to live henceforth in a world of law and order or a world of anarchy.

You see, it is an issue which goes deeper than the conflict between democracy and dictatorship as forms of sovereign government. It goes deeper than the conflict between human liberty and the tyranny of a King or of a State or of a social class. It is a challenge which goes to the very roots of what our civilization holds most precious. Nations today are caught between two profoundly conflicting ways of life—on the one hand, the rule of might, and, on the other, the way of cooperation and moral restraint and human brotherhood. On which side are you going to fling your lives?

One thing seems clear. The progress of human civilization cannot rest upon the rule of brute force. We cannot have a world where life is enriched and made abundant and secure except through cooperation and brotherhood. The teachings of Christianity are not merely the dreams of an idealist. Christ above all else was a downright realist and the principles which He taught are the only basic principles upon which human organized society can be made to work. Don't keep Christ secluded in darkened churches. As I study the growing problems which beset us on every side—social problems, industrial problems, economic problems, international problems—I become more and more convinced that the only possible solutions which are really practical and which will yield lasting results are along precisely the lines taught by Jesus Christ 1,900 years ago. Christ understood human hearts and fathomed the deeps of human life as no one else before or since. Until we have the courage to apply more fearlessly the principles He taught to our national and international problems, we are like children groping in the dark. There is no way in which you graduating today could serve your country and your generation more truly than in going back to Jesus Christ and trying to make His teachings vital and vivid in practice and not merely in words.

IV

Do you catch something of the picture which confronts you? You are graduating today after years of intensive training, a picked group, to whom the best educational equipment has been made available. Your country has a right to turn to you for its leaders in the critical days ahead.

If the program laid down in the Tydings-McDuffie Act is carried through, the day of independence for which Filipinos have dreamed for years is already within sight. But do not be deceived. The day of independence will mean not the end, but the beginning, of the really crucial years in the history of the Filipino race. The most

profound issues and struggles will come after independence, not before.

The date set for Philippine independence is approaching at a time when the whole world is torn in a cataclysmic struggle between those who would protect the foundations of our civilization and those who would destroy them.

The struggle between democracy and dictatorship is not new. It goes deeper than the mere struggle between two opposing forms of government. It is the struggle between those who place humanity first, and those who would gain selfish objectives through the exploitation of their fellowmen even by force if necessary. Are you going to set up a government "of the people, by the people and for the people," or one in which human beings will be sacrificed and crucified for the strengthening and the deification of the State or of the ring of power-seekers who act in its name? Do you believe in democracy or dictatorship? And are you ready to fight for your faith?

Do you believe in individual liberty? Do you believe, as those who founded the American nation dared to assert and to write into their Constitution, that the rights of individual men and women are paramount and superior even to the rights of the State? Do you believe, as Christ taught, that the supreme values in life lie in human personalities, and that therefore the path of civilized progress lies in protecting and enriching to ever greater degree the lives of individual men and women?

Do you believe in human brotherhood and in the practicability of the way of life that Christ taught? Or do you put your faith instead in armed power and in the rule of might?

These are some of the profound problems which you will not be able to escape; and upon your ultimate conclusions must rest to no small extent the future history of the Filipino race. If you remain true to democracy, to human liberty and to the underlying principles of Christianity, you can face the future unafraid. These great principles will not save you from suffering or struggle. No one can foretell the future. But of one thing we can be sure. Ultimately these great principles must prove triumphant if the human race is to survive. Principles such as these are worth living and fighting and dying for. The fight for what you believe to be right, irrespective of victory or defeat, is what gives meaning to life and makes it truly worth the living. Remember always, that whatever time and chance may bring, "no evil can injure the really good man."

APPENDIX II (d)

ADDRESS BY THE HONORABLE FRANCIS B. SAYRE, THE UNITED STATES
HIGH COMMISSIONER, AT THE MANILA CHAMBER OF COMMERCE
LUNCHEON, NATIONAL FOREIGN TRADE WEEK, MAY 25, 1940,
12:15 P. M.

I feel happy to have the opportunity of meeting with you during this celebration of National Foreign Trade Week and of discussing with you some of the fundamental issues which face us today. Ever since last September, and particularly during these past grim weeks, our thoughts and our consciousness have been shocked and stunned by the ghastly events in Europe. Our civilization, built upon law and ordered restraints, won by centuries of heroic effort and sacrifice and upward struggle, has been challenged by organized and armed violence, ruthless, utterly cruel, contemptuous of human rights and human idealism. The world is locked in a titanic struggle between the forces which make for civilization and human progress and those which make for chaos and retrogression. In the very midst of that terrible drama we stand today. How then can we turn our thoughts to such mundane matters as commercial policies and foreign trade?

The answer surely lies in the vital interconnection between the two. Unsound commercial policies prepare the ground for war. It was the economic breakdown following 1929 which set the stage for the war which is now burning up Europe. If we are to build for a lasting peace following the present war, nations must turn to commercial policies which make for peace. There is no escape from that.

What are the commercial policies which make for peace?

In the first place, I suppose it must be self-evident that the climates are so varied and the geographical distribution of raw materials is so uneven throughout the world that no single nation can contain within its own boundaries all the resources and raw materials necessary for its economic life and very few nations can contain even a majority of them. This is a simple fact which has become increasingly true as our civilization advances and as modern technological progress multiplies the number of raw materials utilized and needed in modern manufactures and industry. Under modern conditions every nation is inescapably dependent upon imports of raw materials for its manufactures and of foodstuffs for its people and equally dependent upon exports of its products for sale in foreign markets in order to keep its home industries running and to gain the means of paying for its imports. Cut a nation's imports and exports and you inescapably dislocate home industries, cause widespread and inescapable unemployment, and force downwards the nation's standard of living. And of course there is no surer way to breed social unrest and make the ground fertile for war than to force down a nation's standard of living.

Do you see what this means? It means that every nation's well-being and indeed its very economic existence is vitally dependent upon a healthy flow of exports and imports of basically necessary

commodities. In other words, sound international trade relations constitute just as indispensable a foundation for economic and social peace within nations and for enduring peace among nations as limitation of armaments.

In the second place, it is clear that international trade can fulfill this vital role satisfactorily only when each nation is assured of ready access to the resources and raw materials of other nations and of other nations' colonies and also of ready access to the markets of other nations and of other nations' colonies. There can be no such ready access if the flow of international trade is obstructed by unreasonable and artificial barriers, such as excessive tariff walls, quotas or quantitative regulations, or controls of foreign exchange transactions. All of these come to be used as instruments of economic warfare.

In the third place, such access to basically necessary commodities and foreign markets can be adequate only when it rests upon a basis of nondiscrimination. Discrimination always invites counterdiscrimination. It kills trade and makes conflict inevitable.

The world's experience of the past few years has amply demonstrated how these economic devices and practices strangle and destroy international trade and how as a result national standards of living are depressed, economic conflict is generated, national animosities are built up, and the seeds sown for national rivalries and war.

You see, then, how vital to the well-being of the world is international trade, how closely national commercial policies touch the issue of peace or war. Lasting peace cannot be built upon mere desire. There must be a gradual elimination of excessive and unreasonable barriers to the flow of goods across national frontiers; nations must return to practices and policies of strict nondiscrimination, and existing practices of bilateralism, such as barter, compensation, and clearing agreements and the like must be supplanted by a multi-lateral functioning of the trade process. Unless and until we achieve these goals, international peace will not be enduring.

One of the most constructive and practical steps for the attainment of these objectives is the American trade-agreements program. Upon some such program for the restoration of healthy international trade relationships must depend our hopes of enduring peace. Surely, therefore, it was not inappropriate that in the very midst of the ghastly war now raging through Europe the American Congress took the wise step of extending the Trade Agreements Act for another 3 years. For it is time now to begin to formulate our ideas as to the kind of peace which nations must build at the conclusion of the present war if peace is to be enduring. A mere cessation of fighting through exhaustion will emphatically not be enough.

The formulation of sound foreign commercial policy is not a question merely of dollars and cents, of seeking to secure increased profits for producers and traders and shippers. It is a matter which goes to the very foundation of building constructively for peace; and thus it is the concern of every one of us.

Ultimately it is the liberal trade policies which must prove triumphant. Policies which restrict trade are in the end self-defeating. As long as some countries can provide food or clothing or raw materials necessary for civilized life which other countries cannot provide as cheaply or cannot produce at all, men will want to trade; and since human beings will not permanently permit their standard of living to

be forced down to the level necessitated by a curtailment of all international trade, no possible turn of international events or temporary dominance of any particular philosophy can end international trade.

True, trade can be lessened and impeded; it can be made more difficult. Every time it is so restricted, it tends to depress national living standards and retard civilization's advance.

Nations which are wise will adopt commercial policies which foster and promote international trade and thus further human welfare. Policies which hamper and restrict the flow of international trade upon which each nation's economic health inescapably depends are bound to work to the nation's own economic injury and in time to be themselves overthrown.

At the end of the present war we shall be faced with monumental tasks. Many nations will be prostrate, crippled by loss of manpower, drained of their resources and their capital, crushed by overpowering debt. Millions of men will be returning from the battlefields, asking for work and finding factories closed, industrial plants out of repair, and the accustomed peacetime wheels of production idle and still.

Our task then will be to assist in binding Europe's war wounds, to furnish needed capital and raw materials and supplies in order to help start again in motion the wheels of peacetime production. Quite apart from considerations of humanity, if we are to continue to sell our surpluses abroad and thus to avoid serious and grave economic disruption in our own economy, it will be strongly to our own material advantage to help the war-torn nations back onto their feet and to aid in the restoration of foreign markets. This will be a herculean task, one deserving of all the brain and daring and sacrifice now being devoted to killing and destruction. After the war it will be a new world and we must be willing to go forward bravely with new ideas and new methods for serving humanity. Those countries not stricken and prostrate by war are confronted with the greater opportunity—the graver responsibility. God grant that out of the present grim tragedy may ultimately come a new purpose and a new understanding of how to build more permanently for peace.

APPENDIX III (a)

ECONOMIC ADJUSTMENT ACT

[PUBLIC—No. 300—76TH CONGRESS]

[CHAPTER 502—1ST SESSION]

[H. R. 7096]

AN ACT

To amend an Act entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 6 of the act of March 24, 1934, entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes" (48 Stat. 456), is hereby amended to read as follows:

SEC. 6. During the period beginning January 1, 1940, and ending July 3, 1946, trade relations between the United States and the Philippines shall be as now provided by law, subject to the following exceptions:

(a) On and after January 1, 1941, the Philippine Government shall impose and collect an export tax on every Philippine article shipped from the Philippines to the United States, except as otherwise specifically provided in this section. Said tax shall be computed in the manner hereinafter set forth in this subsection and in subsection (c) of this section. During the period January 1, 1941, through December 31, 1941, the export tax on every such article shall be 5 per centum of the United States duty; on each succeeding January 1 thereafter the export tax shall be increased progressively by an additional 5 per centum of the United States duty, except that during the period January 1, 1946, through July 3, 1946, the export tax shall remain at 25 per centum of the United States duty.

(b) (1) No export tax described in subsection (a) of this section shall be imposed or collected upon any Philippine article of a class or kind in respect of which a quota is established by subdivision (3) of this subsection, nor upon copra or manila (abaca) fiber not dressed or manufactured in any manner.

(2) The United States duty shall be levied, collected, and paid in the United States upon every article which is of a class or kind in respect of which a quota is established by subdivision (3) of this subsection and which is entered, or withdrawn from warehouse, for consumption after December 31, 1939, in excess of its respective quota: *Provided however,* That nothing in this section or any subsection thereof shall be construed to exempt, the quota of coconut oil therein provided for from the excise taxes provided for in section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470).

(3) For the purposes indicated in subdivisions (1) and (2) of this subsection, there are hereby established the following quotas of the designated Philippine articles: For the calendar year 1940, the quotas, hereafter called original quotas, shall be as follows:

- a. cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes including wrappers), 200 million cigars;
- b. scrap tobacco, and stemmed and unstemmed filler tobacco described in paragraph 602 of the Tariff Act of 1930, 4,500,000 pounds;
- c. coconut oil, 200,000 long tons;
- d. buttons of pearl or shell, 850,000 gross.

For each calendar year thereafter through the calendar year 1945, each of the said quotas shall be the same as the corresponding quota for the immediately preceding calendar year, less 5 per centum of the corresponding original quota.

For the period January 1, 1946, through July 3, 1946, each of said quotas shall be one-half of the corresponding quota specified for the calendar year 1945.

(c) The Philippine Government, in imposing and collecting export taxes on Philippine embroideries, shall compute the tax in accordance with the formulas specified in subsection (a) of this section, except that in determining the taxable value of any such article, an allowance shall be made equal to the cost—cost, insurance, and freight the Philippines—of any cloth of United States origin used in the production thereof.

(d) The United States duty shall be levied, collected, and paid, in the United States, upon all Philippine sugars, which are entered, or withdrawn from warehouse for consumption in any calendar year after 1939, in excess of 850,000 long tons, of which not more than 50,000 long tons may be refined sugars: *Provided, however,* That for the period January 1, 1946, through July 3, 1946, the quota of Philippine sugars, not subject to the United States duty, shall be 425,000 long tons, of which not more than 25,000 long tons may be refined sugars. Any export tax imposed and collected on Philippine sugars entered or withdrawn from warehouse for consumption in excess of the quotas established by this subsection shall be refunded by the Philippine Government.

(e) Upon the expiration of the act of June 14, 1935 (49 Stat. 340), as extended to May 1, 1941, by proclamation of the President, dated January 26, 1938, the total amount of all Philippine cordage coming into the United States which may be entered or withdrawn from warehouse, for consumption during the remainder of the calendar year 1941, shall not exceed 4 million pounds and in any calendar year after 1941 shall not exceed 6 million pounds: *Provided, however,* That for the period January 1, 1946, through July 3, 1946, the total amount of Philippine cordage which may be entered, or withdrawn from warehouse, for consumption shall not exceed 3 million pounds.

(f) (1) The quotas for sugars established by subsection (d) of this section shall be allocated annually as prescribed in section 6 (d) of the act of March 24, 1934 (48 Stat. 456), which section in this respect is not repealed by this amendatory act.

(2) The quotas for cordage, established by subsection (e) of this section, and by the act of June 14, 1935, shall be allocated by authorities of the Philippine Government among the manufacturers of such commodities proportionately upon the basis of the shipment of each such manufacturer to the United States during the twelve months immediately preceding the inauguration of the Commonwealth of the Philippines.

(3) The quotas for all articles for which quotas are established by this section, except sugars and cordage, shall in each instance be allocated by authorities of the Philippine Government among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the 5-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers.

(4) If, after the first 9 months of any quota year, the holder of any allotment under any of the quotas established by this act or by the act of June 14, 1935, is or will be unable for any reason to ship to the United States by the end of the quota year the total amount of his allocation for that year, the Philippine Government shall apportion that amount of such allocation which it is established by sufficient evidence cannot be shipped to the United States during the remainder of the quota year in such manner and in accordance with such rules and regulations as it may prescribe.

(g) (1) The Philippine Government shall pay to the Secretary of the Treasury of the United States, at the end of each calendar quarter, all of the moneys received during such quarter from export taxes (less refunds), imposed and collected in accordance with the provisions of this section, and said moneys shall be deposited in an account with the Treasurer of the United States and shall constitute a supplementary sinking fund for the payment of bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress; *Provided, however,* That moneys received from any export tax imposed on any article which is shipped from the Philippines to the United States prior to July 4, 1946, and which is entered, or withdrawn from warehouse for consumption, on or after July 4, 1946, shall be refunded by the independent Government of the Philippines.

(2) The said Secretary of the Treasury is authorized to accept the deposits of the proceeds of the export taxes referred to in subdivision (1) of this subsection in accordance with the act of June 11, 1934 (48 Stat. 929).

(3) The Secretary of the Treasury of the United States, with the approval of the Philippine Government, is authorized to purchase with such supplementary sinking-fund bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress and to invest such fund in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. Whenever the Secretary of the Treasury finds that such fund is in excess of an amount adequate to meet future interest and principal payments on all such bonds, he may, with the approval of the Philippine Government, purchase with such excess any other bonds of the Philippines, its Provinces, cities, municipalities, and instrumentalities. For the purpose of this subsection obligations may be acquired on original issue at par, or by purchase of outstanding obligations at the market price. Any obligations acquired by the fund may, with the approval of the Philippine Government, be sold by the Secretary of the Treasury at the market price and the proceeds of such sale and the proceeds of the payment upon maturity or redemption of any obligations held in the supplementary sinking fund, as well as all moneys in any manner earned by such fund or on any obligations acquired by said fund, shall be paid into the said fund.

(4) During the 3 months preceding July 4, 1946, the Philippine Government and the Secretary of the Treasury of the United States shall confer to ascertain that portion of the bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress, which will remain outstanding on July 4, 1946: and the Philippine Government shall turn over to the Secretary of the Treasury of the United States for destruction all such bonds that are then held, canceled, or uncanceled, in any of the sinking funds maintained for the payment of such bonds. After such outstanding portion of this indebtedness is thus determined, and before July 4, 1946, (i) there shall be set up with the Treasurer of the United States a special trust account in the name of the Secretary of the Treasury of the United States to pay future interest and principal payments on such bonds; (ii) the Philippine Government shall pay to the Secretary of the Treasury of the United States for deposit in this special trust account all of the sinking funds maintained for the payment of such bonds; and (iii) the Secretary of the Treasury of the United States shall transfer into this special trust account all of the proceeds of the supplementary sinking fund referred to in subdivision (1) of this subsection. Any portion of such special trust account found by the Secretary of the Treasury of the United States on July 4, 1946, to be in excess of an amount adequate to meet future interest and principal payments on all such outstanding bonds shall be turned over to the Treasury of the independent Government of the Philippines to be set up as an additional sinking fund to be used for the purpose of liquidating and paying all other obligations of the Philippines, its Provinces, cities, municipalities, and instrumentalities. To the extent that such special trust account is determined by the Secretary of the Treasury of the United States to be insufficient to pay interest and principal on the outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress, the Philippine Government shall, on or before July 3, 1946, pay to the Secretary of the Treasury of the United States for deposit in such special trust account an amount which said Secretary of the Treasury determines is required to assure payment of principal and interest on such bonds; *Provided, however,* That if the Secretary of the Treasury of the United States finds that this requirement would impose an undue hardship upon the Philippines, then the Philippine Government shall continue to provide annually the necessary funds for the payment of interest and principal on such bonds until such time as the Secretary of the Treasury of the United States determines that the amount in the special trust account is adequate to meet interest and principal payments on such bonds.

(5) On and after July 4, 1946, the Secretary of the Treasury of the United States is authorized, with the approval of the independent Government of the Philippines, to purchase at the market price for the special trust account bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress. The Secretary of the Treasury of the United States is also authorized, with the approval of the independent Government of the Philippines, to invest all or any part of such special trust account in any interest-bearing obligations of the United States or in any obligations guaranteed as to both principal and interest by the United States. Such obligations may be acquired on original issue at par or by purchase of outstanding obligations at the

market price, and any obligations acquired by the special trust account may, with the approval of the independent Government of the Philippines, be sold by the Secretary of the Treasury at the market price, and the proceeds of the payment upon maturity or redemption of such obligations shall be held as a part of such special trust account. Whenever the special trust account is determined by the Secretary of the Treasury of the United States to be adequate to meet interest and principal payments on all outstanding bonds of the Philippines, its Provinces, cities, and municipalities, issued prior to May 1, 1934, under authority of acts of Congress, the Secretary of the Treasury is authorized to pay from such trust account the principal of such outstanding bonds and to pay all interest due and owing on such bonds. All such bonds and interest coupons paid or purchased by the special trust account shall be canceled and destroyed by the Secretary of the Treasury of the United States. From time to time after July 4, 1946, any moneys in such special trust account found by the Secretary of the Treasury of the United States to be in excess of an amount adequate to meet interest and principal payments on all such bonds shall be turned over to the treasurer of the independent Government of the Philippines.

(h) No article shipped from the Philippines to the United States on or after January 1, 1941, subject to an export tax provided for in this section, shall be admitted to entry in the United States until the importer of such article shall present to the United States collector of customs a certificate, signed by a competent authority of the Philippine Government, setting forth the value and quantity of the article and the rate and amount of the export tax paid, or shall give a bond for the production of such certificate within 6 months from the date of entry.

SEC. 2. Section 8 of the said act of March 24, 1934, is hereby amended by adding thereto a new subsection as follows:

(d) Pending the final and complete withdrawal of the sovereignty of the United States over the Philippine Islands, except as otherwise provided by this act, citizens and corporations of the Philippine Islands shall enjoy in the United States and all places subject to its jurisdiction all of the rights and privileges which they respectively shall have enjoyed therein under the laws of the United States in force at the time of the inauguration of the Government of the Commonwealth of the Philippine Islands.

SEC. 3. Section 10 of the said act of March 24, 1934, is hereby amended by adding the following subsection thereto:

(c) (1) Whenever the President of the United States shall find that any properties in the Philippines, owned by the Philippine Government or by private persons, would be suitable for diplomatic or consular establishments of the United States after the inauguration of the independent Government, he may, with the approval of the Philippine Government, and in exchange for the conveyance of title to the United States, transfer to the said Government or private persons any properties of the United States in the Philippines. Title to any properties so transferred to private persons, and title to any properties so acquired by the United States, shall be vested in fee simple in such persons and the United States, respectively, notwithstanding the provisions contained in subsection (a) of this section.

(2) Whenever, prior to July 4, 1946, the President of the United States shall find that any properties of the United States in the Philippines would be suitable for diplomatic and consular establishments of the United States after the inauguration of the independent Government, he shall designate the same by the issuance of a proclamation or proclamations, and title to any properties so designated shall continue to be vested in fee simple in the United States notwithstanding the provisions contained in subsection (a) of this section.

(3) Title to the lands and buildings pertaining to the official residences of the United States High Commissioner to the Philippine Islands in the cities of Manila and Baguio, together with all fixtures and movable objects, shall continue to be vested in the United States after July 4, 1946, notwithstanding the provisions contained in subsection (a) of this section.

(4) Administrative supervision and control over any properties acquired or designated by the President of the United States pursuant to this subsection, and over the official residences in the Philippines of the High Commissioner, shall, on and after July 4, 1946, be exercised by the Secretary of State, in accordance with acts of Congress relating to property held by the United States in foreign countries for official establishments.

SEC. 4. Section 13 of the said act of March 24, 1934, is hereby amended by striking out the proviso and inserting in lieu thereof the following:

Provided, That at least 2 years prior to the date fixed in this act for the independence of the Philippine Islands, there shall be held a conference of representatives of the Government of the United States and the Government of the Commonwealth of the Philippine Islands, such representatives, on the part of the United States, to consist of three United States Senators appointed by the President of the Senate, three Members of the House of Representatives appointed by the Speaker of the House, and three persons appointed by the President of the United States, and, on the part of the Philippines, to consist of nine representatives to be appointed by the President of the Commonwealth of the Philippines, with the consent of the Commission on Appointments of the National Assembly, for the purpose of formulating recommendations as to future trade relations between the United States and the independent Philippine Republic, the time, place, and manner of holding such conference to be determined by the President of the United States; but nothing in this proviso shall be construed to modify or affect in any way any provision of this act relating to the procedure leading up to Philippine independence or the date upon which the Philippine Islands shall become independent.

In the event any vacancy occurs in the commission by reason of the death, resignation, or retirement of any member thereof, such vacancy may be filled by the authority appointing the member whose death, resignation, or retirement caused the vacancy.

SEC. 5. The said act of March 24, 1934, is further amended by the addition of the following new section:

SEC. 18. (a) As used in sections 6 and 10 of this act—

(1) The term "United States," when used in a geographical sense, but not the term "continental United States," includes all Territories and possessions of the United States, other than the Philippines.

(2) The term "cordage" includes yarns, twines (including binding twine described in paragraph 1622 of the Tariff Act of 1930 (46 Stat. 675)), cords, cordage, rope and cable, tarred or untarred, wholly or in chief value of manila (abaca) or other hard fiber.

(3) The term "Philippine Government" means the Government of the Commonwealth of the Philippines.

(4) The term "United States duty," when used in connection with the computation of export taxes, means the lowest rate of ordinary customs duty in effect at the time of the shipment of the article concerned from the Philippines and applicable to like articles imported into the continental United States from any foreign country, except Cuba, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(5) The term "refined sugars" possesses the same meaning as the term "direct-consumption sugar" as defined in section 101 of the Sugar Act of 1937.

(6) The term "Philippine article" means an article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the United States from the Philippines.

(7) The term "American article" means an article the growth, produce, or manufacture of the United States, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article was used and which is brought into the Philippines from the United States.

(8) The term "Philippine import duty" means the lowest rate of ordinary customs duty applicable at the port of arrival, at the time of entry, or withdrawal from warehouse, for consumption of the article concerned, to like articles imported into the Philippines from any other foreign country, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(b) As used in subsection (a) of this section:

(1) The terms "includes" and "including" shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(2) The term "ordinary customs duty" shall not include any import duty or charge which is imposed to compensate for an internal tax imposed in respect of

a like domestic product or in respect of a commodity from which the imported product has been manufactured or produced in whole or in part.

SEC. 6. The said act of March 24, 1934, is further amended by the addition of the following new section:

SEC. 19. (a) The proceeds of the excise taxes imposed by section 2470 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2470), and of the import taxes imposed by sections 2490 and 2491 of the Internal Revenue Code (I. R. C., ch. 22, secs. 2490, 2491), collected on or after January 1, 1939, and accrued prior to July 4, 1946, and required to be held in separate or special funds and paid into the Treasury of the Philippines, together with any moneys hereafter appropriated in accordance with the authorization contained in section 503 of the Sugar Act of 1937 (50 Stat. 915) by virtue of accruals of excise and import taxes prior to July 4, 1946, shall be held as separate funds and paid into the treasury of the Philippines to be used for the purpose of meeting new or additional expenditures which will be necessary in adjusting Philippine economy to a position independent of trade preferences in the United States and in preparing the Philippines for the assumption of the responsibilities of an independent state: *Provided, however*, That the portion of such funds expended by the Government of the Commonwealth of the Philippines shall be budgeted, appropriated, and accounted for separately from other moneys of that Government.

(b) If the President of the United States finds that the Government of the Commonwealth of the Philippines has failed or is about to fail to comply with any requirement of subsections (a) and (c) of this section, he shall direct the Secretary of the Treasury of the United States to withhold or discontinue, during any period or periods of time specified by the President of the United States further payments in whole or in part.

(c) The provisions contained in section 2476 of the Internal Revenue Code (I. R. C., ch. 21, sec. 2476), prohibiting further payments in the event that the Government of the Commonwealth of the Philippines should provide by law for the subsidization of producers of copra, coconut oil, or allied products, and the provisions contained in the Sugar Act of 1937, specifying the purpose for which such appropriations could be used by the said government and the manner and condition of transfer, shall not apply to any moneys collected or appropriated pursuant to said acts on or after January 1, 1939, and to this extent are hereby repealed: *Provided, however*, That the restriction contained in the proviso to section 503 of the Sugar Act of 1937 shall continue in full force and effect: *And provided further*, That no part of the proceeds of the excise taxes herein referred to shall be paid directly or indirectly as a subsidy to the producers or processors of copra, coconut oil or allied products, except that this provision shall not be construed as prohibiting the use of a portion of said funds for facilities for better curing of copra, or for bona fide production loans to Philippine copra producers.

(d) Nothing contained herein shall be construed as obligating the United States to continue for any period of time any or all of the excise and import taxes imposed by sections 2470, 2490, 2491 of the Internal Revenue Code or by sections 3490, 3500, 3501 of the Internal Revenue Code (I. R. C., ch. 32, secs. 3490, 3500, 3501).

(e) Notwithstanding the provisions of section 4 of the act of March 8, 1902 (32 Stat. 54), or of any other provision of law, on or after the first day of the second month following the passage of this amendatory act, except as otherwise provided in this section, all customs duties collected in accordance with sections 6 and 13 of this act, on any article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 per centum of the total value of such article, was used and which is brought into the United States from the Philippines, and all customs duties collected on any other article brought into the United States from the Philippines, shall be covered into the general fund of the Treasury of the United States and shall not be paid into the treasury of the Philippines.

SEC. 7. (a) Sections 1 to 5, inclusive, of this amendatory act shall become effective on January 1, 1940, if before that date—

(1) Subsection 5 of section 1 of the Ordinance Appended to the Constitution of the Philippines shall have been amended in the manner now provided by law, by changing the final period of said subsection to a comma, and by adding thereto the words: "as amended by the Act of Congress of the United States approved (followed by

the date of the approval of this amendatory Act)", and section 3 of the said ordinance shall have been amended by inserting immediately after the words "approved March 24, 1934" the same amendatory language mentioned above.

(2) The President of the United States shall have found and proclaimed that the Philippine Government has enacted, subsequent to the adoption of the amendments to the Constitution of the Philippines (as provided in subdivision (1) of this subsection), a law relating to export taxes (as provided in section 1), and has retained those Philippine laws relating to sinking-fund and currency matters which were in effect on May 20, 1938.

(b) Section 1 of this amendatory act shall remain in full force and effect from the effective date thereof until July 4, 1946, unless the President of the United States shall, prior to July 4, 1946, have found and proclaimed that the Philippine Government has, in any substantial respect, repealed or amended, or failed or refused to enforce or administer any Philippine law referred to in subdivision (2) of subsection (a) of this section. In the event of such a finding and proclamation, section 1 shall immediately become ineffective and trade relations between the United States and the Philippines shall be as provided by section 6 of the act of March 24, 1934, prior to the enactment of this amendatory act and by section 13 of the said act.

(c) Sections 6 and 7 of this amendatory act shall become effective upon its enactment.

SEC. 8. Notwithstanding the provisions contained in section 8 (a) (3) of the act of March 24, 1934 (48 Stat. 456), entitled "An Act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes," Foreign Service officers may, under commissions as diplomatic and consular officers, be assigned to the Philippine Islands, during which assignments such officers shall be considered as stationed in a foreign country, for such periods of time and under such regulations as the Secretary of State may prescribe for the performance of any of the duties customarily performed by Foreign Service officers stationed in foreign countries and of additional duties in connection with advising and assisting the United States High Commissioner to the Philippine Islands in the supervision and control of the foreign affairs of the Commonwealth of the Philippines in accordance with section 2 (a) (10) of the act approved March 24, 1934, and section 1 (10) of the ordinance appended to the constitution of the Philippines adopted February 8, 1935.

This section shall become effective upon its enactment.

Approved, August 7, 1939.

APPENDIX III (b)

COMMONWEALTH ACT No. 511

SECOND NATIONAL ASSEMBLY, THIRD SPECIAL SESSION

B. No. 1242

(COMMONWEALTH ACT No. 511)

An act to carry out the provisions of section 6 of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939, regarding export taxes, by providing for the imposition and collection of an export tax on Philippine articles exported to the United States and the disposition of the funds derived from said tax

Be it enacted by the National Assembly of the Philippines:

SECTION 1. Pursuant to the provisions of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939, hereinafter referred to as the Act of Congress of March 24, 1934, as amended, during the period beginning January 1, 1941, and ending July 3, 1946, there shall be levied, assessed, and collected an export tax upon Philippine articles shipped from the Philippines to the United States, as follows:

(a) During the period January 1, 1941, through December 31, 1941, the export tax on every such article shall be 5 per centum of the United States duty; on each succeeding January 1 thereafter, the export tax shall be increased progressively by an additional 5 per centum of the United States duty, except that during the period January 1, 1946, through July 3, 1946, the export tax shall remain at 25 per centum of the United States duty.

(b) In assessing and collecting the export taxes on Philippine embroideries, said taxes shall be computed in accordance with the formula specified in subsection (a) of this section, except that in determining the taxable value of any such article, an allowance shall be made equal to the cost—cost, insurance, and freight, the Philippines—of any cloth of United States origin used in the production thereof.

SEC. 2. The following Philippine articles shall be exempt from the export tax imposed herein:

(a) Cigars (exclusive of cigarettes, cheroots of all kinds, and paper cigars and cigarettes, including wrappers).

(b) Scrap tobacco, and stemmed and unstemmed filler tobacco, described in paragraph 602 of the Tariff Act of 1930 of the United States.

(c) Coconut oil.

(d) Buttons of pearl or shell.

(e) Copra.

(f) Manila (abaca) fiber not dressed or manufactured in any manner.

SEC. 3. Any export tax assessed and collected on Philippine sugars entered or withdrawn from warehouse in the United States for consumption there in in excess of the quotas established for such articles by section 6 of the aforesaid act of Congress of March 24, 1934, as amended, shall be refunded to the person who paid the tax. Likewise, any export tax assessed and collected on any article shipped from the Philippines to the United States prior to July 4, 1946, and which is entered or withdrawn from warehouse for consumption on or after July 4, 1946, shall be refunded to the owners of such articles at the time of the entry or withdrawal.

SEC. 4. The export tax herein imposed shall be assessed and collected by the Bureau of Customs in conformity with such laws and regulations governing the collection of import duties as may be applicable thereto and are not contrary to the provisions of the act of Congress of March 24, 1934, as amended, and, subject to this same limitation, under such other rules and regulations as the Insular Collector of Customs, with the approval of the Secretary of Finance, may prescribe. All penal provisions in respect to the collection of import duties, insofar as the same may be applicable and are consistent with the provisions of this act and of the aforesaid act of Congress of March 24, 1934, as amended, are extended and made applicable in respect to the collection of the export taxes imposed herein as well as to violations of the rules and regulations promulgated under the authority of this section. The Insular Collector of Customs or the Collector of Customs at ports of entry shall, for each exportation to the United States on or after January 1, 1941, of articles subject to the export tax, issue and sign a certificate setting forth the value and quantity of such articles and the rate and amount of the export tax paid thereon.

SEC. 5. All of the moneys received from export taxes (less refunds) imposed and collected in accordance with the provisions of this act, shall be deposited with the Treasurer of the Philippines and by him paid to the Secretary of the Treasury of the United States at the end of each calendar quarter, for disposition in accordance with the provisions of subsection (g) of section 6 of the aforesaid act of Congress of March 24, 1934, as amended. The President of the Philippines, or his representative, is authorized to act for and in behalf of the Philippine Government on all matters pertaining to the disposition of this fund under the provisions of the aforesaid subsection (g) of section 6 of the act of Congress of March 24, 1934, as amended.

SEC. 6. As used in this act—

(1) The term "United States" when used in a geographical sense, but not the term "continental United States," includes all territories and possessions of the United States, other than the Philippines.

(2) The term "Philippine Government" means the Government of the Commonwealth of the Philippines.

(3) The term "United States duty," when used in connection with the computation of export taxes, means the lowest rate of ordinary customs duty in effect at the time of the shipment of the article concerned from the Philippines and applicable to like articles imported into the continental United States from any foreign country, except Cuba, or when more than one rate of ordinary customs duty is applicable to such like articles, the aggregate of such rates.

(4) The term "Philippine article" means an article the growth, produce, or manufacture of the Philippines, in the production of which no materials of other than Philippine or United States origin valued in excess of 20 percent of the total value of such article was used and which is brought into the United States from the Philippines.

SEC. 7. When this act shall have been approved by the President of the United States, as provided in section 2, subsection (a), paragraph 9, of the act of Congress of March 24, 1934, as amended, such fact shall be made known by proclamation of the President of the Philippines and this act shall take effect on the date of said proclamation.

Approved, December 12, 1939.

BY THE PRESIDENT OF THE PHILIPPINES

Proclamation No. 492

PUBLISHING THE PROCLAMATION ISSUED BY THE PRESIDENT OF THE UNITED STATES ON DECEMBER 12, 1939, AND GIVING PUBLIC NOTICE OF THE APPROVAL BY THE PRESIDENT OF THE UNITED STATES OF NATIONAL ASSEMBLY BILL No. 1242, NOW KNOWN AS COMMONWEALTH ACT No. 511

Whereas the President of the United States did on December 12, 1939, issue the following proclamation:

Whereas section 7 (a) of the act of August 7, 1939, 53 Stat. 1226, 1233, provides in part:

"Sections 1 to 5, inclusive, of this amendatory act shall become effective on January 1, 1940, if before that date—

"(1) Subsection 5 of section of the ordinance appended to the Constitution of the Philippines shall have been amended in the manner now provided by law, by changing the final period of said subsection to a comma and by adding thereto the words: 'as amended by the act of the Congress of the United States approved (followed by the date of the approval of this amendatory act),' and section 3 of the said ordinance shall have been amended by inserting immediately after the words 'approved March 24, 1934,' the same amendatory language mentioned above.

"(2) The President of the United States shall have found and proclaimed that the Philippine Government had enacted, subsequent to the adoption of the amendments to the Constitution of the Philippines (as provided in subdivision (1) of this subsection), and has retained those Philippine laws relating to sinking fund and currency matters which were in effect on May 20, 1938."

Whereas the Government of the Commonwealth of the Philippines on November 14, 1939, enacted a law relating to export taxes, as provided in the said act of August 7, 1939, which law I have approved this date; and

Whereas the Government of the Commonwealth of the Philippines has retained those laws relating to sinking-fund and currency matters which were in effect on May 20, 1938;

Now, therefore, I, Franklin D. Roosevelt, President of the United States of America, under and by virtue of the authority in me vested by section 7 (a) of the said act of August 7, 1939, do hereby find and proclaim that the Government of the Commonwealth of the Philippines has enacted, subsequent to the adoption of the above-mentioned amendments to the Constitution of the Philippines, a law relating to export taxes as provided in the said act of August 7, 1939, and has retained those Philippine laws relating to sinking-fund and currency matters which were in effect on May 20, 1938.

Done at the City of Washington this 12th day of December in the year of our Lord 1939, and of the Independence of the United States of America the one hundred and sixty-fourth.

FRANKLIN D. ROOSEVELT.

By the President:

CORDELL HULL,

Secretary of State.

Whereas section 7 of National Assembly Bill No. 1242 referred to in the third "Whereas" of the above-quoted proclamation of the President of the United States provides as follows:

SEC. 7. When this act shall have been approved by the President of the United States, as provided in section 2, subsection (a), paragraph 9, of the act of Congress of March 24, 1934, as amended, such fact shall be made known by proclamation of the President of the Philippines and this act shall take effect on the date of said proclamation.

Now, therefore, I, Manuel L. Quezon, President of the Philippines, do hereby publish the above proclamation for the information and guidance of all concerned, and hereby give public notice of the approval by the President of the United States on December 12, 1939, of National Assembly Bill No. 1242, which now becomes Commonwealth Act No. 511.

In witness whereof, I have hereunto set my hand and caused the seal of the Commonwealth of the Philippines to be affixed.

Done at the City of Manila, this 14th day of December, in the year of Our Lord, 1939, and of the Commonwealth of the Philippines, the fifth.

MANUEL L. QUEZON,
President of the Philippines.

By the President:

JORGE B. VARGAS,

Secretary to the President.

APPENDIX IV (a)

SPEECH BY HON. JOSE E. ROMERO, ASSEMBLYMAN FOR NEGROS ORIENTAL, IN THE NATIONAL ASSEMBLY, SEPTEMBER 25, 1939

A PLEA FOR A REEXAMINATION OF OUR POLITICAL PROBLEM

MR. ROMERO. Last week the distinguished Secretary of Agriculture, Hon. Benigno S. Aquino, a man for whom I entertain the highest personal regard and respect, addressed the Rotary Club on the subject of independence. His speech is worthy to take its place among the masterpieces of Filipino oratory. It was an eloquent reiteration of the Golden Chain, the Bird in the Gilded Cage, and the Give Me Liberty or Give Me Death argument for immediate independence.

I would be lacking in candor, however, if I did not say that I expected from the distinguished Secretary a speech of an entirely different nature. Coming from the man under whose direct supervision have been placed the instrumentalities with which to prepare the national economy for that independence, I expected that the speech would enlighten us with a concrete program and concrete proposals to prepare our agriculture, industry, and commerce for that independence. I expected that we would be reassured that the much-feared collapse of many of our industries in 1946 would not eventuate, and that our national income, our standard of living and our Government income could be maintained at a level that will assure the maintenance of a stable government in this country. I expected that we would be reassured that the nationalization laws that are being administered by the Secretary, and that, alone, stand between us and foreign economic domination, could be effectively enforced under independence.

I understand the gist of the Secretary's speech to be briefly as follows: That we are an enslaved people, that independence is something to be desired for its own sake and not insofar only as it promotes the happiness and well-being of the people, that the danger of losing that independence from foreign aggression or from economic chaos is not a subject requiring careful consideration of facts and figures, but that it is enough that there be a will to independence and readiness to sacrifice our lives, that only absolutely free people can make contributions to civilization, that we are running greater danger of invasion under the American flag than under independence.

Are We Really Slaves?

Let us test these theses in the crucible of cold logic. I would have hesitated to affirm that the Secretary said that we are at present an enslaved people, but I read his speech again, and there it was: "Independence is the only solution to the Philippine problem * * * between being poor and free, and being rich and enslaved, I prefer the former a hundred thousand times." If that is not saying that we are at present an enslaved people, it is saying nothing.

Such statement can only be a flight of oratory. If we are being enslaved, and if it is a shame to tolerate slavery, why is it that we have not only stood that slavery these 40 years, but we have held positions of honor under that slavery and we have even officially celebrated the fortieth anniversary of the imposition of that slavery? It is because this is not slavery. It is because we know that independence is something to build up and to prepare for and not simply something to be wished for and that will, with mere thinking, come full-panoplied like Juno from the mind of Jove. It is because we realize that America is cooperating with us in preparing ourselves for that independence.

Are we really slaves? How many nations in the world today enjoy the liberty that the Filipino people enjoy? We have freedom of speech and of the press, freedom of religion, freedom of association, freedom of petition, freedom from unjust search and seizure, freedom to choose our own rulers. Well might the nationals of many independent nations envy the liberty that the Filipinos enjoy today; and as for our standing before the other nations, I have been informed that the nationals of other independent states during the Spanish Civil war and during the present European war tried to pass for Filipinos in order to be assured of the protection and respect due the nationals owing allegiance to the United States. I am sure that many Siamese, Chinese, etc., would have liked to have been in the shoes of the Filipinos in these times of international crises.

We have often been told that no people has turned down an opportunity to be independent, and when we cite the British dominions whose rights of secession are recognized and who, notwithstanding, have preferred to remain with the British Empire, we are told that it is because the inhabitants of the dominions are of the same race as those of the mother country; but then we are referred to the glorious example of the United States who rebelled against the mother country notwithstanding the fact that Americans and Britishers were of the same race. This is indisputable proof that the desideratum of the desire of colonies for independence is not difference of race, but the colonial policy of the mother country. The United States was destined to be independent because with its tremendous resources, far greater than those of the mother country, it was bound to be a greater country than the motherland and, therefore, could not be kept a colony; but the immediate cause of the American revolution was not the desire for an abstract independence, but the desire to be relieved of tyranny and oppression. Incidentally, the declaration of independence says that "When in the course of human events it becomes necessary for one people to dissolve the political bonds which have connected them with another, a decent respect to the opinions of mankind requires that they should declare the causes that impel them to the separation," which means, I think, that an independence movement should be justified, and is not self-justifying.

We can go farther and say that it is not true that no people that has had a chance to be independent and who belong to another race has renounced it. A few years ago Senator Tydings, chairman of the Senate Committee on Territories and Insular Possessions, in view of certain agitation for independence in Puerto Rico, offered to push Puerto Rican independence through Congress, if the Puerto Ricans expressed themselves in its favor. The highest elective position in

Puerto Rico is that of Resident Commissioner to the United States. The Honorable Santiago Iglesias, who was a visitor at the inauguration of our own Commonwealth Government, ran for reelection on the issue of the continuance of the political relations with the United States and was elected by a great majority. Mahatma Gandhi, the great Indian leader, has repeatedly stated that he is not working for the absolute independence of his country.

It Is Not Independence That Enables Nations to Contribute to Civilization

Is it true that only absolutely independent countries can make contributions to civilization? To contend that nations are great and make contributions to civilization when they are absolutely independent would seem to be to take the effect for the cause, because if a nation is great it cannot be held in subjection and must have some contribution to make, and the question naturally follows, why, if independence is what made the Roman, the Greeks, the Egyptians, and the Hebrews great, and made it possible for them to contribute to civilization, why was it that they developed vices and defects that caused them to lose their independence and their greatness?

It is not true, as alleged, that the Hebrews gave their greatest contribution to civilization, Christianity, when they were independent. They were under Roman domination. What have Liberia, Haiti, Santo Domingo, Costa Rica, and many other independent countries contributed to civilization? On the other hand, Paderewski thrilled the world with his sonatas and piano from Poland, and the Curies, natives of that hapless country, discovered radium. India gave the world the immortal poetry of Rabindranath Tagore. Dr. Banting in Canada made one of the greatest contributions to medical science by discovering the insulin cure for diabetes which affects so many millions, and the Filipino, Dr. Eliodoro Mercado, discovered the chaulmoogra treatment for leprosy. In the field of commerce, in an "enslaved" Canada the Canadian-Pacific, which is one of the greatest transportation systems in the world, was organized, bringing the people of the world closer together, and Australia gave the world the Australian ballot and the Torrens system of land registration.

We are cited the example of Japan; but Japan was independent for a thousand years, before she became great, and obviously this again is another case of false cause. It was not independence which she enjoyed uninterruptedly for a thousand years which brought her greatness, but because she opened her doors to foreign commerce and turned her eyes from the East to the West.

And here again we find certain inconsistency in citing the example of Japan, and in saying that democracy and Christianity are our greatest assets, and in the same breath affirming that our contact with the West has been disadvantageous and weakening.

Let us look at the countries around us. What do we see? Coolie labor, disregard of individual rights, lack of appreciation of health and sanitation resulting in periodical epidemics decimating millions of lives; material and moral stagnation; religious fanaticism and mysticism. If we have been saved from this fate it is because for 400 years our spiritual and material commerce has been with the West; our cultural and spiritual make-up is more Occidental than Oriental. The severance of our ties with the United States means that after 400

years we turn from the West to the East and the Oriental waters will seek their own level.

With our economic life tied up with our neighboring oriental countries, how can we continue promoting social justice when our associates employ coolie labor? How can we impose 8-hour labor laws when we buy from and sell to countries that work their laborers 10 or 12 hours a day? How can we have minimum wage laws when our competitors recognize no minimum wages?

We speculate about the contributions that we have to make to Christianity and democracy in the Far East, but we will have enough problems of our own maintaining our Christianity and our democracy. We have within us the seeds of greatness. The progress that we have achieved during the last 40 years and which is unparalleled in the annals of colonization holds promise of a future really great Oriental nation that will be a bulwark of Christianity and democracy; but if we invite burdens and dangers before we have developed the strength and power to bear and overcome them that brilliant promise may turn to bitter disillusionment, and the great boon of liberty may turn to ashes in our hands.

Danger of Economic Domination

Can we, after deciding to cast our lot with our neighbors, keep up our barriers against Oriental immigration and deny these brothers that we have taken to our breast the living space that they lack, and which we have in abundance? Can we keep up our tariff barriers against these nations, some of whom are admittedly stronger than ourselves, to prevent their products produced with coolie labor from flooding our markets, thus compelling us to produce equally cheap goods, and demoralizing the standard of our labor? Can we effectively enforce the laws regarding the nationalization of our natural resources which, even now, when we are under the protecting wing of the United States, are being frequently evaded? When our peace officers try to enforce these laws they are thrown overboard. When we suggest extradition of the culprits we are summarily turned down and at home the assailants are given a slap on the wrist.

They are probably correct who say that there is nothing this foreign power could secure through conquest that she could not secure through peaceful means, and that is precisely what we fear. We will be making concession after concession until we have been reduced to the status of "hewers of wood and drawers of water" in our own country. If, notwithstanding our tariff barriers and nationalization laws, some of our important industries, fishing and lumber, our retail trade and some of the richest spots in the islands are rapidly falling into alien hands, how can we escape economic domination if, perforce, we have to relax these restrictions to permit these aliens to take peacefully what, otherwise, they would take by force? And is there any one simple-minded enough to believe that economic domination will not drag us into the line with this "New Order in East Asia" and will not be followed by political domination directly or by subterfuge? Already they have their periodicals of propaganda in this country, their outspoken spokesmen advocating rapprochement with this power—potential petty puppet rulers.

We talk about the ignominy of slavery. We are not slaves now. We are free in all but form; but we may yet be slaves if we refuse to

recognize the logic of contemporary events. Our willingness to die for our country did not save us from foreign domination. Twice we have had to yield to superior force, and now at a time when might more than ever is right, when nations are losing their independence before the onslaught of sheer brute force faster than at any time in history, when we are encircled, only a few hundred miles in each direction, by foreign military bases, we would refuse to discuss our preparedness in a military and economic way, "confide in our weakness," and proclaim that independence must be had because we would lose face before the world.

Loss of Face?

I know how we can lose face before the world—I know how we can lose not only face but body and soul, and that is by another foreign conquest; but no nation in the world will despise us for pausing to reexamine our national problem, in this era of international anarchy and in the face of danger of economic chaos. We call weaklings those who pause to consider our problem in the light of the lightninglike changes in the world and we invoke Mabini and "the unshod hosts who, with only bolos in hand went to meet the foe," but we forget that the same hosts and the same Mabini, wisely deciding that it is not enough just to be willing to die for one's country, took their oath of allegiance to the conqueror, preferring to continue the pursuit of our nation's progress and emancipation in the ways of peace and in order not to bleed the country further in an unequal struggle.

Those who have been criticized as timid souls for pausing before they throw in one gamble what they have gained in liberty and progress through years of vision, wisdom and perseverance, can console themselves that they are in good company. The greatest leader of our race only the other day expressed concern over the international situation when he was toasted as the first President of the Philippine Republic. I don't see that any particular courage is needed to climb on a bandwagon that has always reached its political destination. We talk of intellectual pygmies, of cynics. I think he touches the depths of intelligence who refuses to think further on the new problems upon the solution of which the fate of the nation depends, and falls back comfortably on old catch phrases and slogans; and he reaches the height of cynicism who exploits the people's emotions to expose them to economic ruin and racial and political extinction.

Safety Under American Flag

It is said that we are running greater danger of invasion under the American flag than under independence.

How can such statement stand against the facts of history? We have been under that flag for 40 years and on no occasion were we in danger of invasion. On the other hand, during the short period of our independence, immediately we had two fleets in Manila Bay, the German and the American, with designs on our country, not to mention the Spanish forces that were trying to maintain their foothold here. No nation in the world dares attack the Philippines under the United States today because while the Philippines might be captured, the United States, which has never lost a war and is getting mightier every day, would eventually win the war. This is what

former High Commissioner McNutt meant when he said that the Philippines would be safe with America even if there were not a single American soldier in the Islands.

I hold that independence is to be desired insofar only as it promotes the well-being and happiness of the people. In the words of President Quezon the Filipinos do not want to be free just to starve. The Filipinos want independence but they also want peace. They want progress. The Philippines is one of the few happy spots in the world today. Under our partnership with the United States, we have been able to establish a higher standard of living than any of our neighbors. Our people enjoy civil liberties, live in better homes, sustain themselves with more nourishing food, live in sanitary surroundings, send their children to school and enjoy the many public improvements and services that have been established.

Danger of Economic Collapse

The foremost leaders and thinkers of this country admit that we will be economically unprepared for independence in 1946. Speaker Yulo, in an address last week, admitted that our problem of economic adjustment is baffling, and that the period of readjustment is too short. That is a fair and honest appraisal of the situation. The Filipino members of the JPCPA, composed of the foremost leaders of this country excepting my humble self, who holds no claim to that category, have stated, in effect, that the Philippines need at least 20 years to readjust its economy to a position independent of American preferences, and then only with great difficulty.

The American Congress in refusing to commit itself regarding trade preferences after 1946 has served notice that she considers her commercial relations with an independent Philippines in an entirely different light from those with a dependent Philippines. It is unlikely that the United States will grant us greater trade preferences than she does to Cuba, first, because there is so much more American capital in Cuba than in the Philippines; second, because the Monroe Doctrine practically makes the United States responsible for the maintenance of peace and order in the Americas, and especially in her next door neighbor; and third, because the United States needs a source of sugar supply that cannot be cut off in wartimes. Still the United States grants Cuba only 20 percent tariff rebate. As a measure to help maintain peace and order in Cuba, whose internal troubles have been traced directly to the depressed condition of her sugar industry, this preference has been raised to 50 percent, but only as long as the quota system persists. Now that it seems the quota system will be done away with, this preference will very likely again be reduced to 20 percent.

If in the proposed conference between American and Filipino representatives in 1944, we do not get more trade preferences than Cuba, we will be faced with a most serious economic problem. Our sugar, coconut oil, tobacco, embroidery, and button industries will be wiped out, and our copra industry will be more depressed than it is now after the full excise tax of 5 cents per pound on coconut oil is imposed instead of the present 3 cents per pound tax on Philippine coconut oil. This will mean that hundreds of thousands of people will be thrown out of work and much capital invested rendered worthless. On top

of that the refunds of the collections from the excise tax on coconut oil and the processing tax on sugar which amounts to nearly our total national income from taxation will cease.

"He jests at scars who never felt a wound." We on whose tongues the word poverty rolls off so glibly have never known what it really means. When the hundreds of thousands who will be thrown out of work, or whose wages, already low, are drastically reduced, return to their homes to find their children crying and their wives weak from hunger, or find them ill and cannot provide the most essential medicine, I doubt that they will agree that this is a fair price to pay for the termination of the nominal supervision that the United States exercises here.

"Freedom even with poverty" sounds pleasing to the ears, but let us not forget the other maxim that "when poverty comes in by the door love flies out of the window." Our honeymoon with independence will have ended when economic ruin and desolation shall have come to our midst. Already because of local agrarian discontent in some provinces we have had to increase our appropriations for armed forces to maintain peace and order.

It seems to me that it is time that those leaders who have vice presidential or presidential aspirations deal frankly and honestly with our people and either present an intelligent and concrete program for coping with the difficult situation that will arise in 1946, or frankly admit that there will be little short of economic chaos coupled with danger from foreign aggression, and prepare our people for the sacrifice. But it is not being candid and fair with the people when we paint before their eyes glowing pictures of a great and glorious independence dispensing valuable contributions to civilization when the hard facts of economics and international relations stare us in the face. If they cannot do either of these things they should at least not further becloud the issues, and permit the people to think rationally and dispassionately on their fate, something they have not been able to do in the past because of the appeals to their emotions and pride. Paraphrasing William Jennings Bryan let me say: Let us pause before we press upon the brow of labor this crown of thorns, or crucify our nation upon the cross of an untimely independence.

APPENDIX IV (b)

SPEECH DELIVERED BY SALVADOR ARANETA DURING A RADIO PROGRAM SPONSORED BY THE LEAGUE OF WOMEN VOTERS ON OCTOBER 6, 1939

Last week, a mass production of ideas on the independence question took place. The discussion captured the imagination not only of many of the members of the National Assembly, but also became the principal front page and editorial topic of newspapers. There was reason for this interest. The happiness and well-being of 16 million Filipinos was involved.

Tonight I shall begin with a restatement of the fundamental issues involved. Speaker Yulo very properly pointed out that on the fundamental point everyone is in agreement. We are all in favor of our political emancipation. The difference of opinion lies only in the procedure or in the manner to best insure our independence. For this reason, if the newspapers and our friends on the other side of the fence would refer to us as the "reexaminationists" and refrain from calling us "retentionists," enemies of Philippine freedom, patriots of the stomach and other epithets of this nature, they would be making a great contribution to the cause of tolerance and free speech and democracy in the Philippines.

At the outset, we must distinguish two different issues that are involved in the present movement.

"REEXAMINATION" INTERPRETED

The first question is whether or not there should be a reexamination of the program of independence for 1946. And by "reexamination" we mean to interest the people of this country to again study and analyze this question seriously, carefully, and dispassionately, and to give our people an opportunity through a national plebiscite, to vote squarely on this vital problem. The second question is: granting that there should be a reexamination, what should our people favor as the best solution that would guarantee the real and enduring independence of our country?

It will be recalled that former Commissioner McNutt was the first one high in authority to propose the reexamination of the independence program for 1946. He advocated not only a reexamination but also suggested the nature and the extent of the ties that should exist between the two countries. In other words, he touched on the two questions. President Quezon publicly expressed himself in sympathy with the proposal to reexamine the question, but he did not agree with the details of the kind of dependency which was recommended for the Philippines.

Since then, world conditions have turned to the worse, to the extent that some days ago, in the banquet of the barristers of 1914, Presi-

dent Quezon had occasion to state that the latest developments in international politics should make all Filipinos ponder seriously on the future that awaits the country. He further expressed the hope that his hearers would consider the situation of the country, to be better prepared to express their sentiments and to lead the nation when the moment to make the final decision arrives.

NARROWS DOWN ISSUES

I wish to point out that the provision as to the plebiscite both in the Hare-Hawes-Cutting act and in the Tydings-McDuffie law provided that a vote against the constitution would have been taken not only as a vote against the particular constitution that was submitted to the people, but also as a vote against the Commonwealth government provided for in the act and as a vote against independence in 1946. With the issues thus narrowed down by the act, the people, which certainly did and do prefer the Commonwealth government to the government under the Jones law, were never given an opportunity to vote squarely on the independence program for 1946.

The question of independence for 1946 is so sacred, so paramount that it should be squarely placed before the people untangled from all personal and party considerations, in an atmosphere of peace and broad-mindedness, without being confused with other issues, and without becoming the toy of party politics. This may only be attained by submitting the question to the people in a national plebiscite.

I shall now take up the second question. It has been argued that: "A candid examination of contemporary international developments compels us to state that we have not yet reached a point where a change of front or of objective on our part may be warranted." This is indeed a very significant admission. Loud protestations to the contrary notwithstanding, it shows that as to the approach to the problem, there is no fundamental disagreement between us. The disagreement is merely a matter of appreciation of present-day world events. Thus, while we believe them to be not only serious but rather out of the ordinary in the world's history of many ages, our friends on the other side of the fence are inclined to dismiss the international situation with a wave of the hand propounding the following matter-of-course question:

EXCLAIM "BAHALA NA"?

What kind of people would we be if, at the slightest disturbance in the normal course of the world, we should forget our resolves and, ostrich-like, insert our heads into the first available hole?

Ostrich-like, I would say, are those who prefer to close their eyes to the new world conditions, object to a reexamination of the problem, and insert their heads into the first available hole, exclaiming "bahala na." Vice President Osmeña, in a recent interview which he gave Mr. Mangahas in New York, very ably described the attitude of our people, up to the present time, when he said:

"The masses may not truly and really appreciate the tremendous risks of independence, but they know their own instincts and where

they lead. They would say 'bahala na' and thus discover their inability to be anything but Orientals."

My friends, I believe it is our duty to our country to show to the people what the Vice President referred to as the tremendous risks of independence, and prevent a condition where our people may consider themselves as having been deceived.

Secretary Aquino, in his speech before the Rotary Club, has admitted that "from the point of view of the big powers, the rights of small nations could not be considered as absolute but are only relative, deserving of proper consideration or none at all, depending upon the needs of such powers." And he makes this statement after inviting us "to turn our eyes to the troubled waters of the Pacific." Indeed, this statement constitutes the most candid admission of the fact that, for many years yet to come, we cannot become a nation enjoying a complete and absolute independence in its true, matter-of-fact, cannon-proof sense. The only solution which the Secretary offers to this situation is a vague statement to the effect that "the Philippines would have to work out her own future if she desires to be free from the influence of powerful nations interested in protecting and developing their own commercial interests." But how, Mr. Secretary, may I ask?

WEAKNESS BEST DEFENSE?

Secretary Aquino has found many followers to his theory that our own weakness will constitute our best defense. Why then is the government spending several million pesos annually on our program of national defense? To believe that we need not worry at all, so long as we are not powerfully armed "to offer any threat to any interests in the Orient or anywhere in the World" is indeed so much wishful thought. This is shutting the eyes to the aggression which precisely weak nations like China, Ethiopia, Albania, Czechoslovakia, and Poland have suffered recently. Alexander Hamilton had said: "A nation despicable by its weakness forfeits even the privilege of being neutral."

The days of the "great wall" of China are gone. Isolation in the manner practiced by Japan before Commodore Perry opened its gates is over. The situation maintained even today by Switzerland is unique, and we should not expect it repeated in the Philippines. Switzerland's best defense is not her weakness but her poverty in natural resources, including her small territory, the natural barriers formed by the Alps, and the mutual interests of the surrounding states to maintain her as a buffer stage. Switzerland is only about $\frac{1}{8}$ the size of Mindanao and more than $\frac{1}{2}$ of its territory is entirely unproductive.

The world is indeed becoming smaller. And the interdependence of nations is becoming more and more pronounced. The British Commonwealth of Nations is just one form of interdependence and constitutes one form of alliance between a group of self-governing powers. And such a relationship differs from the interdependence and unwritten alliance that has united England with France for the last quarter of a century, only in historic background and exterior formality. In actual practice, it is difficult to say that France is more independent of England than Canada is of England.

The interdependency of nations today is a fact and not a theory. And in trying to find out the best solution to our national salvation, we have to reckon with facts. It would be suicidal to let ourselves go astray with a lot of wishful thinking. Nations actually enjoying today a truly complete and absolute independence, discounting the American Republics, may be counted with the fingers of one hand. The word independence as applied to nations is becoming more and more a relative term; it is, in fact, merely a technical name in the law of nations.

CANNOT LIVE ISOLATED

Much as we dislike it, we have to realize that the big question mark we have to face is to determine how much of the ties of interdependence and partnership with the United States we have to accept in order to remain in the full enjoyment of the patrimony of the nation and the essential national liberties and rights which we now exercise. In the congregation of nations, because of our rich natural resources, we cannot live isolated and enjoy a really complete and absolute independence. We have no choice but to be interdependent, with, or to say it more bluntly, to be dependent on some big power. The less dependent we wish to be on the United States the more dependent we shall have to be on some big nation in Asia.

Let me again stress the statement of Secretary Aquino that "from the point of view of the big powers, the rights of small nations could not be considered as absolute but are only relative, deserving of proper consideration or none at all, depending upon the needs of such powers." Thus we should inquire, what are the needs of the United States and what are those of our powerful neighbor to the north? Which of the two nations is in greater need of the Philippines? Which of the two nations will give us a better chance to live economically and politically?

Has not the Hon. Claro M. Recto, while president of the constitutional convention, referred to "economic pauperism" in case we were subjected to the economic penetration of our powerful neighbor? and in this connection we must not forget that while our intimate and continued association with the United States has not subjected our laborers to the competition of laborers with a lower standard of living, a closer association of our country with our neighbors will mean keener competition with laborers that are used to work more, better, and for less.

It is contended that the history of the world, after all, is but a series of wars and conquests, and it is asked of us if "we mean then that, when we demanded and accepted independence, resolved to build a nation of our own, we had never heard of territorial aggression and conquests?"

TRY TO PROVE TOO MUCH

Our reply is that those who make those generalizations from the lessons of history try to prove too much; and do not prove anything. Indeed, since the dawn of history, 3,000 or 4,000 years ago, the history of the world, viewed generally, has been written with blood spilt in wars. But in between wars there have been periods of peace and good will. And even during those periods of wars, its effects have not been the same throughout the whole world. Thus, notwithstanding the present world situation, if our country were placed anywhere in Central or South America or Central and South Africa, we would not

hesitate to favor our immediate independence. But we are in the Orient, and neighbors to a very powerful nation that still is in the mood of expanding. But it is argued by Assemblyman Cuenco and others that if America should eventually decide to continue her sphere of influence in the Orient, our problem will have been solved, for independence will necessarily be guaranteed by her. On the other hand, it is said if she should adopt the contrary policy of shrinking her frontiers to Hawaii, regarding the areas west of that possession all outside of her sphere of influence, no amount of pleading that America stay in the Philippines would make her stay here.

There is some truth in this reasoning but it does not contain the whole truth. China was considered by America as part of her sphere of influence. Witness the open-door policy of America which has been violated by Japan. Witness the nine-power treaty signed in Washington in 1921 and which has also been violated by Japan. And yet the United States has not come to the rescue of China.

Indeed, at present, public opinion in the United States, as shown by a recent straw vote conducted by Fortune, seems to be in favor of having the armed forces of the United States come to our rescue if we are invaded after our political separation from the United States. But it would be risky to base the defense of our integrity and independence on mere hopes of assistance from the United States to be granted as a favor, without any obligation on her part, as seems to be the hope of Assemblymen Cuenco and Soliven. That expected favor, never promised by the United States, might not be extended to us. Much less can we depend upon the armed assistance of England and France, on which Assemblyman Soliven is also banking, after what we have witnessed in the present struggle between China and Japan.

WHERE "DISHONOR" LIES

Those who are too prone to speak of national honor do not seem to realize that it is rather dishonorable to rely on foreign assistance for the defense of the integrity of our country and its independence. If we need that assistance let us not be too proud to belittle our need of it, nor too miserly to depend on it for nothing. Let us be manly enough to seek and ask that assistance on terms that would make it not a favor but an obligation of the United States to defend us. It would be an obligation if we remain politically associated with her, after both countries have agreed that such an association is mutually beneficial. And it can be made mutually beneficial if we are wise and practical enough to realize that in this world, whether in the association of nations or of individuals, we have to give and take.

President Quezon has recently stated that everyone has the right to express freely his opinion on such a vital question as the future of the Filipino people, but that it is the duty of the government of the Commonwealth to take every step necessary to prepare the country for the responsibilities of an independent republic. We fully subscribe to such a statement. Prudence and vigilance dictate that the government should prepare the country for independence. Such a preparation, even if we are able to make real and great progress along that line, will not be an obstacle, but rather will help in reexamining the question on more favorable terms for us. And even if we continue associated with the United States, an important share in the responsibility of defending our country will have to be with us.

Speaker Yulo in his recent speech at the Rotary Club has counseled against dividing the attention of the country in its preparation for independence in 1946 by proposals which according to him might lend the impression that such an eventuality might not materialize although already fixed in the independence act.

But I fail to see how the present movement started by Assemblyman Romero and others for a realistic reexamination of the Philippine problem should obstruct or in any way jeopardize the efforts at present being made by our leaders in the government to prepare the country for independence. Those who have started the movement do not counsel a retreat in any way, nay, not even a soft pedaling in our preparations for independence.

THE HARD FACT

Speaker Yulo advocates apprising our country—"that in the usual course of events the remaining seven years for the adjustment of our economics is too short to enable us to replace the loss of national income that will inevitably result from a cessation of a free trade with the United States." He further admits the state of unpreparedness for independence of some of our industries dependent on the American market. But such status of unpreparedness evidences the hard fact that notwithstanding the heretofore united attention of the country to prepare ourselves for independence in 1946, very little if anything can actually be done so that certain of our basic industries which are dependent on the American market may be able to survive after independence.

Let us ponder on the following very important statesmanlike declarations made by Speaker Yulo:

"America is alive to the problems of the day. The present independence law shows the concern of America over the necessity of insuring the independence of the Philippines by providing for the neutralization of the Philippines upon the advent of independence. If America believes that such a step is not sufficient to guarantee that independence because of changing world conditions, I am sure that America will show us the way to make that independence permanent and lasting."

Considering the very high and exalted position that Mr. Yulo deservedly occupies in our government, a more candid and more open statement on the vital question that we are facing today could not be expected. But certainly we will be opening the road for a mutual understanding and America will be more interested to show us the way to make our independence permanent and lasting if she sees there is a responsible opinion in the Philippines which is broad-minded enough to consider possible solutions other than the program of independence for 1946. If America sees that the realistic reexamination suggested by former High Commissioner McNutt has received the hearty response of public opinion in these Islands, and that our people are willing to consider a prolongation of our political ties with the United States as a means to insure a real and lasting independence, I am sure America will have sufficient inducement to show us the road so subtly and diplomatically suggested by Speaker Yulo.

THE DOMINION FORM OF GOVERNMENT

We are advocating the dominion form of government as a basis of discussion and deliberation not with the idea of advocating a perma-

nent dependency of the Philippines to the United States but to prolong our present association with the United States on a more autonomous basis. It is not for us but for our leaders, if they may, to determine the number of years that we still have to be under the protection of the American flag to better insure the guarantee of a lasting and real independence, which is our main goal. It would be too presumptuous on our part to advocate a fixed and definite period as this matter will require careful study and deliberation. Besides, we believe that the best formula is a continued relationship with the United States on the basis that it may be terminated by either party on giving the other a reasonable notice.

I fail to see how our national honor may suffer in any way if we accept a junior partnership freely arrived at with the greatest and most honorable nation in the world today, and if we agree on such an association without renouncing our right of secession and after both countries have agreed that such an association is mutually beneficial. Obviously, we cannot say for sure that such an association would be favored by a majority of the people of the United States. But in the same way that various prominent Americans, like Mr. Stimson, former governor general and at one time secretary of state, and also former High Commissioner McNutt have favored it, I do not see why it should be considered untimely for Filipinos, like Assemblyman Romero and others, to respond to such proposals and suggestions made by prominent friends from the other side of the Pacific. Senator King himself, one of the most sincere friends of the Filipino people in congress and for many years the champion of independence, in a meeting of the senate committee on insular affairs has publicly stated that he is in favor of a reexamination.

"SLOWLY YOU GO FAR"

It is said that England has lost many battles but that it has always won the last one. We have seen how this great nation, finding herself unprepared for war, has tried to postpone the war. She has even allowed her subjects to be insulted and humiliated in the Orient. She has never lost her poise and she has sacrificed face, even dignity, always having in mind her main purpose, to win the last battle.

Our battle, in the struggle that we have been waging for years, is certainly not to attain a nominal, temporary and paper-proof independence. It is to attain a real, cannon-proof, and enduring independence which will permit us to deal with other nations as truly equals. This is the only kind of independence that could give us honor and really free us from foreign influences and domination. As the Englishmen, we should be more practical and not too face-conscious. Let us mark our time. Let us consider all factors. Let us face realities. Let us give more importance to substance than to form. Let us not sacrifice a real and lasting independence for a nominal and untimely independence. Let us be sensible enough to heed the advice which our own government gives free of charge to the motorists who travel along the Benguet road "Slowly You Go Far—Recklessly You Go * * * Where?"

In closing, I wish to thank the League of Women Voters for their kind invitation and thoughtfulness in sponsoring this talk, a privilege indeed, which is greatly appreciated.

APPENDIX V

ACTS PASSED DURING FIRST, SECOND, AND THIRD SPECIAL SESSIONS OF THE SECOND NATIONAL ASSEMBLY

A. Acts passed which have been approved by the President of the Philippines and which do not require the approval of the President of the United States:

1. First Special Session of the Second National Assembly, August 15 to September 18, 1939:

Act 492: An act to submit to the Filipino people, for approval or disapproval, the amendments to the Constitution of the Philippines and to the ordinance appended thereto proposed by the National Assembly in resolutions adopted on September 15, 1939, and to appropriate funds therefor. Approved September 19, 1939. Effective same date.

Act 493: An act appropriating ₱2,550,000 for public primary classes throughout the Philippines. Approved September 30, 1939. Effective same date.

2. Second Special Session of the Second National Assembly, September 25 to September 29, 1939:

Act 494: An act to authorize the President of the Philippines to suspend, until the date of adjournment of the next regular session of the National Assembly, either wholly or partially, the operation of Commonwealth Act No. 444, commonly known as the 8-hour labor law. Approved September 30, 1939. Effective same date.

Act 495: An act to amend section 4 of Commonwealth Act No. 120 (re payment of the bonds issued by the National Power Corporation in Philippine currency). Approved September 30, 1939. Effective same date.

Act 496: An act to authorize the President of the Philippines for a limited period, in view of the existence of a state of national emergency, to take over, for use or operation by the Government, any public service or enterprise, to prescribe penalties for interfering with the exercise by the Government of its authority thereunder, and to appropriate the necessary funds therefor. Approved September 30, 1939. Effective same date.

Act 497: An act to amend section 1417 of the Administrative Code (re tonnage dues on vessels engaged in Philippine trade). Approved September 30, 1939. Effective same date.

Act 498: An act to declare, in view of the existence of a national emergency, a national policy in connection therewith, and to authorize the President of the Philippines for a limited period to promulgate rules and regulations and to take other necessary steps to effectuate such policy, prescribing penalties for violations of the rules and regulations issued by the President and providing appropriation therefor. Approved September 30, 1939. Effective same date.

Act 499: An act to regulate for a limited period, in view of the existence of a state of national emergency, the transfer of vessels and of

shipping facilities and to provide penalties for the violation thereof. Approved September 30, 1939. Effective same date.

Act 500: An act to authorize the President, in view of the existence of a state of national emergency, to decrease expenditures of the executive department of the National Government through the suspension or abandonment of services, activities, or operations of no immediate necessity. Approved September 30, 1939. Effective same date.

Act 501: An act appropriating the sum of ₱100,000 for the adjustments of the personnel and other changes in the Department of Labor as contemplated in Commonwealth Act No. 453. Approved September 30, 1939. Effective same date.

Act 502: An act to create Quezon City. Approved October 12, 1939. Effective same date.

Act 503: An act to amend certain sections of the National Revenue Code (re percentage, export and compensating taxes). Sections 2, 3, 5, and 6 approved October 16, 1939, and effective same date. Sections 1 and 4 not effective until approved by the President of the United States and proclamation to that effect issued by President of the Philippines, which was done on October 16, 1940.

Act 504: An act creating 15 additional positions of judges of first instance and the necessary subordinate personnel, fixing their respective duties and salaries, and appropriating funds therefor. Approved October 16, 1939. Effective same date.

Act 505: An act to amend Commonwealth Act No. 240 entitled "An act appropriating the sum of ₱5,050,000 for elementary school building." Approved in part only October 27, 1939. Effective same date.

Act 506: An act to amend Commonwealth Act No. 330 entitled "An act appropriating ₱96,351,300 for public works." Approved in part only October 27, 1939. Effective same date.

Act 507: An act to amend Commonwealth Act No. 67 entitled "An act making appropriations for public works," as amended. Approved October 27, 1939. Effective same date.

Act 508: An act to amend Commonwealth Act No. 469 entitled "An act appropriating ₱8,180,000 for public works." Approved October 27, 1939. Effective same date.

3. Third Special Session of the Second National Assembly, November 2 to November 14, 1939:

Act 509: An act appropriating ₱1,371,150 as additional fund for the immediate opening and maintenance of new Public Primary Classes throughout the Philippines.

Act 510: An act to authorize the President of the Philippines either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to take charge of the allocation, reallocation, and administration of quotas established for the Philippines by Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939. Approved November 14, 1939. Effective same date.

B. Bills passed and which have been approved by the President of the Philippines but which require approval of the President of the United States.

1. Second Special Session of the Second National Assembly, September 25 to September 29, 1939:

Act 503: An act to amend certain sections of the National Internal Revenue Code (re export, percentage and compensating taxes). Only sections 1 and 4 require the approval of the President of the United States and will be effective at that time. The entire bill was approved by the President of the Philippines on October 16, 1939, and sections 2, 3, 5, and 6 were effective that same date. (See section A 2.) Sections 1 and 4 were approved by the President of the United States on September 21, 1940, and became effective upon the proclamation of the President of the Philippines on October 16, 1940.

2. Third Special Session of the Second National Assembly, November 2 to November 14, 1939.

Act 511: An act to carry out the provisions of section 6 of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939, regarding export taxes, by providing for the imposition and collection of an export tax on Philippine articles exported to the United States and the disposition of the funds derived from said tax. Approved by the President of the Philippines, November 14, 1939, and by the President of the United States on December 12, 1939. Effective when approval of President of the United States is made known by proclamation of the President of the Philippines which was done on December 14, 1939.

ACTS PASSED DURING THE SECOND REGULAR SESSION OF THE SECOND NATIONAL ASSEMBLY, JANUARY 22, 1940 TO MAY 8, 1940

A. Bill passed by the National Assembly and approved by the President of the Philippines which requires the approval of the President of the United States before becoming law:

Act 613: An act to control and regulate the immigration of aliens into the Philippines. Approved by President of the United States on August 26, 1940. Effective January 1, 1941.

B. Bills passed by the National Assembly and approved by the President of the Philippines:

Act 513: An act appropriating ₱500,000 to be advanced to municipalities and municipal districts for the maintenance of intermediate schools. Approved February 8, 1940. Effective same date.

Act 514: An act to amend the second paragraph of section 233 of the Administrative Code (stipulating the requirements for notaries public). Approved March 12, 1940. Effective same date.

Act 515: An act to amend section 9 of Act No. 4205, entitled, "An Act authorizing the municipality of Iloilo, in the Province of Iloilo, to issue bonds for the purpose of providing funds to construct necessary sewer facility in said municipality, and authorizing also an insular government bond issue secured by said municipal bonds, and for other purposes." Approved March 22, 1940. Effective same date.

Act 516: An act to amend subsection (u) of section 84 of Commonwealth Act No. 466, otherwise known as the National Internal Revenue Code (exempting American Government employees from

payment of the Philippine income tax). Approved April 18, 1940. Effective January 1, 1940.

Act 517: An act to submit to the Filipino people, for approval or disapproval, the amendments to the Constitution of the Philippines and the Ordinance appended thereto, proposed by National Assembly in its Resolution No. 38, adopted on September 15, 1939, as amended by its Resolution No. 73, adopted on April 11, 1940, and to appropriate funds therefor.

Act 518: An act to establish the Nation Coconut Corporation. Approved May 7, 1940. Effective same date.

Act 519: An act to establish the National Tobacco Corporation. Approved May 7, 1940. Effective same date.

Act 520: An act creating the city of San Pablo. Approved May 7, 1940. Effective same date.

Act 521: An act appropriating amounts from the coconut oil excise tax fund collected on and after January 1, 1939, for the period from January 1, 1939, to June 30, 1940. Approved May 7, 1940. Effective same date.

Act 522: An act to amend section 1 of Act No. 3799 (granting 1 year's salary to the widow or descendant of an Assemblyman who dies in office). Approved May 7, 1940. Effective January 1, 1940.

Act 523: An act to amend section 255 of the National Internal Revenue Code (tax on insurance premiums). Approved May 10, 1940. Effective January 1, 1940.

Act 524: An act amending section 1 of Commonwealth Act No. 464, entitled, "An Act to remit, under certain conditions, unpaid taxes and penalties of forfeited real property," to provide a new time limit for the payment of the taxes corresponding to the years 1938 and 1939. Approved May 10, 1940. Effective same date.

Act 525: An act to repeal subsection (b) of section 184 and to amend subsection (a) of section 185 of Commonwealth Act No. 466 (regarding percentage tax on automobiles). Approved May 10, 1940. Effective same date.

Act 526: An act to amend section 204 of the National Internal Revenue Code (requiring merchants whose gross sales exceed ₱20,000 to issue invoices). Approved May 10, 1940. Effective January 1, 1940.

Act 527: An act changing the name of the Municipality of Bondo, Province of Tayabas, to that of "Aurora." Approved May 11, 1940. Effective same date.

Act 528: An act to provide for the issue of bonds of the Government of the Philippines the proceeds of sale of which will be used for the purchase of an equivalent amount of bonds of the Metropolitan Water District. Approved May 11, 1940. Effective same date.

Act 529: An act amending sections 3, 6, and 7 of Commonwealth Act No. 168, known as the Civil Aviation Law, and inserting section 6½ in the same. Approved May 11, 1940. Effective same date.

Act 530: An act to change the procedure in the assessment of real property for taxation purposes, by requiring the owner to file a sworn statement as to the real value thereof and creating a Central Board of Tax Appeals. Approved May 11, 1940. Effective same date.

Act 531: An act changing the name of the Barrio of Malocanan, Municipality of Tolong, Province of Oriental Negros, to that of San Francisco. Approved May 11, 1940. Effective same date.

Act 532: An act to fix the salary of the Auditor General at ₱15,000 per annum. Approved May 26, 1940. Effective same date.

Act 533: An act to amend paragraph (d) of section 2550 and section 2552 of the Administrative Code as amended, so as to vest the mayor of the city of Baguio with veto power and the council of said city with power to override such veto. Approved May 26, 1940. Effective same date.

Act 534: An act to declare ineffective the reduction of the assessed value of all permanent plants and/or trees on any taxable real property in any province by 50 percent pending the new assessment therein, and to repeal the proviso contained in the second paragraph of section 53 of Commonwealth Act No. 470, known as the "Assessment Law." Approved May 26, 1940. Effective January 1, 1940.

Act 535: An act exempting certain persons from the requirement of filing a declaration of intention previous to the petition for naturalization, amending in effect section 7 of Commonwealth Act No. 473. Approved May 26, 1940. Effective same date.

Act 536: An act authorizing the retirement of Justices of the Supreme Court and making appropriation for the payment of a retirement gratuity. Approved May 26, 1940. Effective same date.

Act 537: An act to amend section 2465 of the Administrative Code, as amended, to standardize the salaries of assistant fiscals for the city of Manila. Approved May 26, 1940. Effective same date.

Act 538: An act suspending the effects of all ejectment actions commenced against tenants or holders of property on landed estates or chaplaincies which the Government contemplates acquiring by means of purchase or forcible expropriation. Approved May 26, 1940. Effective same date.

Act 539: An act authorizing the President of the Philippines to acquire private lands for resale in small lots; providing for the creation of an agency to carry out the purposes of this act; and setting aside funds and authorizing the issuance of bonds for the payment of said lands. Approved May 26, 1940. Effective same date.

Act 540: An act to alter the times and places of holding sessions of courts of first instance in the provinces of Isabela, Nueva Vizcaya, Capiz, and Surigao, by amending certain paragraphs of section 161 of the Administrative Code, as amended. Approved May 26, 1940. Effective same date.

Act 541: An act to regulate the awarding of contracts for the construction or repair of public works. Approved May 26, 1940. Effective same date.

Act 542: An act to create a Corporation to be known as the Girl Scouts of the Philippines, and to define its powers and purposes. Approved May 26, 1940. Effective same date.

Act 543: An act to amend section 1659 of the Administrative Code (providing for additional assistants for the Solicitor General). Approved May 26, 1940. Effective same date.

Act 544: An act to create eight positions of district attorneys, appropriating the necessary funds therefor. Approved May 26, 1940. Effective same date.

Act 545: An act amending the Administrative Code to increase the number of judges of First Instance, to regroup some of the provinces for judicial purposes, and appropriating the necessary funds therefor. Approved May 26, 1940. Effective same date.

Act 546: An act to amend sections 2 and 4 of Act No. 4130, as amended, by regulating presentation, registration, and entry of race horses, and making available certain portion of its proceeds for the payment of pensions to veterans of Philippine revolutions or wars. Approved May 26, 1940. Effective July 1, 1940.

Act 547: An act creating the city of Cavite. Approved May 26, 1940. Effective same date.

Act 548: An act to regulate and control the use of and traffic on national roads as well as constructions along the same, prescribing penalties for the violation thereof. Approved May 26, 1940. Effective same date.

Act 549: An act creating the position of deputy commissioner of the budget and appropriating the necessary amount therefor. Approved May 26, 1940. Effective same date.

Act 550: An act to authorize the Philippine Charity Sweepstake Office to hold special sweepstake races the proceeds of which shall be used to finance the holding of an exposition in the Philippines in 1941. Approved May 26, 1940. Effective same date.

Act 551: An act to authorize the President of the Philippines to enter into a compromise in the case arising out of the probate of the will of the late Don Francisco R. Santos. Approved May 26, 1940. Effective same date.

Act 552: An act appropriating amounts from the Coconut Oil Excise Tax Fund collected on and after January 1, 1939, for the fiscal year ending June 30, 1941. Approved May 26, 1940. Effective July 1, 1940.

Act 553: An act to authorize the President of the Philippines to permit the entry by the National Development Co. of all or portions of reserved lands or mineral rights in lands. Approved May 26, 1940. Effective same date.

Act 554: An act to liquidate the municipal loan fund, the private surveyors' loan fund, and the Friar Lands Loan Fund. Approved May 26, 1940. Effective same date.

Act 555: An act appropriating funds for the operation of the Government of the Commonwealth of the Philippines during the fiscal year ending June 30, 1941. Approved June 6, 1940. Effective July 1, 1940, except where otherwise stated.

Act 556: An act to amend Act No. 3992, known as "The Revised Motor Vehicle Law," as amended. Approved June 7, 1940. Effective same date.

Act 557: An act to amend section 4 of Commonwealth Act No. 465, otherwise known as the Residence Tax Law (exempting American governmental employees from payment of the tax). Approved June 7, 1940. Effective January 1, 1940.

Act 558: An act to amend sections 1 and 2 of Commonwealth Act No. 150, entitled "An Act to provide for the payment of longevity pay to commissioned officers of the Army of the United States joining the Army of the Philippines and to include service in the Army of the United States and/or in the United States military or naval academy in determining the pay and rights of retirement of commissioned officers in the Army of the Philippines." Approved June 7, 1940. Effective same date.

Act 559: An act to amend Commonwealth Act No. 103 as amended (relating to the Court of Industrial Relations). Approved June 7, 1940. Effective same date.

Act 560: An act to establish guarantees to prevent fraud in the classification of sawed lumber offered for sale. Approved June 7, 1940. Effective same date.

Act 561: An act to create a Department of Health and Welfare in the city of Manila, to define its powers and duties, amending for this purpose, certain sections of chapter 60 of the Administrative Code. Approved June 7, 1940. Effective July 1, 1940: *Provided, however,* That the reorganization to be effected in accordance with the same may be suspended for a later date if the President of the Philippines shall find that the public interest so requires.

Act 562: An act to amend Commonwealth Act No. 330 entitled "An Act appropriating ₱96,351,300 for public works. Approved June 7, 1940. Effective same date.

Act 563: An act to amend Commonwealth Act No. 240 entitled "An Act appropriating the sum of ₱5,050,000 for elementary school buildings. Approved June 7, 1940. Effective same date.

Act 564: An act to amend Commonwealth Act No. 469 entitled "An Act appropriating ₱8,180,000 for public works," as amended. Approved June 7, 1940. Effective same date.

Act 565: An act providing for the organization of cooperative associations, authorizing the creation of an agency or designation of an instrumentality of the government to promote and supervise the said associations, and providing funds for the promotion and supervision of the same. Approved June 7, 1940. Effective same date.

Act 566: An act appropriating ₱6,100,000 for public works. Approved in part only June 7, 1940. Effective same date.

Act 567: An act to adjust and stabilize the sugar industry and to raise revenue for the purpose by increasing the tax on the manufacture of sugar and imposing a tax on the owners of sugar lands held by others under lease or other contract granting the right to use said lands for a consideration. Approved June 7, 1940. Effective same date.

Act 568: An act to amend Commonwealth Act No. 57 known as the charter of the city of Iloilo, as amended by Commonwealth Act No. 158, by increasing the salaries of the City Treasurer, the Chief of Police and Fire Department, and the clerk of the Municipal Court of said city. Approved June 7, 1940. Effective same date.

Act 569: An act to amend sections 4, 9, 11, 13, 18, 19, 27, 29, 31, 49, 50, 52, 56, 59, 61, 71, 72, 73, 76, 78, 79, 83, 84, 85, 87, 88, 89, 90, 91, 92, 94, and 99 of Commonwealth Act No. 1, as amended, known as the National Defense Act, repealing section 24 thereof and inserting two new sections in the said act to be known as sections 78-A and 90-B. Approved June 7, 1940. Effective same date.

Act 570: An act making the Philippine national language an official language from July 4, 1946. Approved June 7, 1940. Effective same date.

Act 571: An act to amend section 1 of Act No. 3846 entitled "An Act providing for the regulation of radio station and radio communications in the Philippine Islands, and for other purposes," requiring the grant of a franchise from the National Assembly for the estab-

lishment and/or operation of radio broadcasting stations. Approved June 7, 1940. Effective same date.

C. Bills passed by the National Assembly and which were allowed to become law without presidential approval:

Act 572: An act changing the name of the municipal district of Balig, Province of Isabela to "Aurora." Effective June 8, 1940.

Act 573: An act changing the name of the Barrio of Macaucang, Municipality of Naujan, Province of Mindoro, to that of "Aurora." Effective June 8, 1940.

Act 574: An act changing the name of the Barrio of Loñgos, Pililla, Rizal, to that of "Malaya." Effective June 8, 1940.

Act 575: An act changing the name of the Barrio of Batobato, Municipality of Cuyo, Province of Palawan, to that of "Los Angeles." Effective June 8, 1940.

Act 576: An act changing the name of the Barrio of Nueva Coveta, in Burgos, Ilocos Sur, to "Luna." Effective June 8, 1940.

Act 577: An act authorizing His Excellency, Manuel L. Quezon, President of the Philippines, to accept the decoration known as the "Grand' Croix de L'Ordre de la Courronne," conferred upon him by His Majesty, Leopold III, King of the Belgians. Effective June 8, 1940.

Act 578: An act to amend article 150 of the Revised Penal Code, so as to include teachers, professors, and persons charged with the supervision of public or duly recognized private schools, colleges, and universities, within the term "persons in authority." Effective June 8, 1940.

Act 579: An act changing the name of the Barrio of Balugo, Municipality of Guinayangan, Province of Tayabas, to that of "Laurel." Effective June 8, 1940.

Act 580: An act granting to the "Cotabato Light and Power Company, Inc." a term of 30 days after the approval of this act to accept the franchise granted to the same in Commonwealth Act No. 487. Effective June 8, 1940.

Act 581: An act abolishing the existing municipal governments and the provincial government of Romblon, and creating instead four special municipalities. Effective June 8, 1940.

Act 582: An act changing the name of the Barrio of Bucaobuca, Municipality of Dao, Province of Antique, to that of "Ysulat." Effective June 8, 1940.

Act 583: An act to amend section 1624 of the Administrative Code, as amended (regarding assistant provincial fiscals). Effective June 8, 1940.

Act 584: An act to extend the effects of the provisions of Act No. 4166, entitled "An Act to provide for the limitation, regulation, and allocation of sugar produced in the Philippine Islands, and for the processing and marketing thereof, and for other purposes, as amended." Effective June 8, 1940.

APPENDIX VI

TITLES OF RESOLUTIONS PASSED BY THE PHILIPPINE NATIONAL ASSEMBLY FROM THE TIME OF THE INCEPTION OF THE COMMONWEALTH GOVERNMENT ON NOVEMBER 15, 1935, TO JUNE 30, 1940

I. FIRST NATIONAL ASSEMBLY

A. *Inaugural Session*

1. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is duly constituted and ready to receive any communication which the Chief Executive may see fit to send.

2. Resolution requesting the President of the Philippines to inform the President of the United States of the commencement of the inaugural session of the National Assembly.

3. Resolution fixing the hour for the daily session of the National Assembly.

4. Resolution provisionally adopting certain parts of the last bylaws of the Senate of the Philippines.

5. Resolution to express the appreciation of the Philippine people to the President of the United States for the attentions with which he has honored the inauguration of the Commonwealth of the Philippines.

6. Resolution expressing the sense of the National Assembly on the recommendation of the President of the Philippines regarding the adoption of a measure that will provide for an adequate national defense.

7. Resolution creating a committee to draft rules for the National Assembly.

8. Resolution confirming the elections of those deputies against whom there are presented no protests.

9. Resolution adopting an official seal for the National Assembly.

10. Resolution vesting in the Secretary (of the Assembly) authority to pay for the expenses pertaining to the National Assembly.

11. Resolution expressing the regret of this Assembly over the voluntary leaving of its floor leader, the Honorable Francisco Enage, and acknowledging the valuable services rendered by him.

12. Resolution expressing the appreciation of this Assembly for the valuable services performed by the Honorable Quintin Paredes.

13. Resolution expressing the condolences of the National Assembly on the death of the Honorable Gabriel Alba, Assemblyman, who was from the Province of Zambales during the Second and Third Philippine Legislature.

14. Resolution expressing the condolences of the National Assembly on the death of the Honorable Segundo Gaston, Representative who was from the Province of Misamis Oriental during the Ninth and Tenth Philippine Legislature.

15. Resolution authorizing the Committee on Pensions to function during the recess of the Assembly in order to make study of all the laws on pensions and retirement.

16. Resolution creating a committee of the National Assembly, composed of members of the same appointed by the Speaker, to make a survey of conditions in certain countries of the Orient and Europe with reference to markets for Philippine products, and of other matters relative to native commerce and industry.

17. Resolution empowering the chairman of the Committee on Accounts to authorize the payment of the expenses of the National Assembly and making other provisions in relation to the power hereby granted.

18. Resolution authorizing the payment of the salaries of the officials and employees named by the National Assembly up to December 31, 1935, and declaring vacant after that date all of the positions named.

19. Resolution declaring the minutes of the session of today, December 21, 1935, to have been read and approved.

20. Resolution authorizing the Committee on Ways and Means to hold sessions during the recess of the National Assembly to study the system of taxation of the Philippines.

21. Resolution expressing the appreciation and sympathy of the Assembly to its illustrious President, Hon. Gil Montilla, for the able, impartial, and dignified manner with which he has directed its deliberations.

B. First Session

22. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send.

23. Resolution expressing the profound regret of the National Assembly of the Philippines over the death of the Honorable Joseph W. Byrnes, Speaker of the House of Representatives of the United States Congress.

24. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Jamalul Kiram, Senator of the Twelfth District in the Ninth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

25. Resolution to extend to the Honorable William B. Bankhead, of Alabama, upon his elevation to the office of Speaker of the House of Representatives of the United States Congress, the sincere congratulations of the National Assembly of the Philippines.

26. Resolution expressing the condolence of the National Assembly on the death of the Honorable Claro Sabbun, Representative from the Second District of Cagayan during the Ninth Philippine Legislature and providing that the Assembly adjourn in token of mourning.

27. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Julian Ocampo, Delegate for the Third District of Ambos Camarines in the Third Philippine Assembly, and providing that the Assembly adjourn in token of mourning.

28. Resolution to advise the President of the Philippines of the existence of four vacancies in the National Assembly.

29. Resolution introducing amendment to the Rules.

30. Resolution authorizing the Secretary of the National Assembly, to cause a commemorative tablet to be made wherein the names of the Members and Constitutional Officers of the First National Assembly shall be engraved.

31. Resolution increasing the number of members of the Committee on Ways and Means.

32. Resolution expressing the sense of the National Assembly that the time within which the unclassified employees in the Government may take examinations to qualify for their respective positions should be extended.

33. Resolution requesting the President of the Philippines to return bill No. 557, entitled "An act to amend section 105 of Act No. 2874, concerning the form of patents or certificates for lands granted under said act."

34. Resolution providing for the creation of a special committee to make a survey and investigation of the condition of the tobacco industry, trade, and production in the Philippines and of the persons who with their labor have a share in the industry, and to recommend adequate measures for its improvement.

35. Resolution expressing the condolence of the National Assembly on the death of the Honorable George H. Dern, Secretary of War of the United States of America.

36. Resolution amending the last paragraph of section 9, Rule VI of the Rules, as amended.

37. Resolution creating a committee to be known as the "Committee on Rates Reduction for Public Services," composed of 15 members of the Assembly, to make a survey and investigation of the present rates charged by public utility services such as water, electricity, gas, telephone, transportation, and other services of prime necessity, and to recommend to the National Assembly such measures as would tend to a reduction of rate schedules and, if necessary, for the Government to take over any or all such public services.

38. Resolution requesting the President of the Philippines to return to the National Assembly the bill No. 67 for the purpose of reconsidering it and introducing an amendment therein.

39. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Alfonso Recto, Representative for the First District of Tayabas in the Fourth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

40. Resolution authorizing the Committee on Codes to sit and hold meetings in any place it may determine during any of the recess of the First National Assembly in order to revise the several codes of the Philippines.

41. Resolution expressing the appreciation of the National Assembly of the work accomplished by Hon. Quintin Paredes as Commissioner of the Philippines to the United States.

42. Resolution authorizing the Committee on National Language to carry on its work during the recess of the Assembly, to devise means looking to the development and adoption of a common national language founded upon one of the existing Philippine native languages.

43. Resolution providing that the platform of the coalition of the Nacionalista-Democratico and Nacionalista-Democrata-Pro-Independencia parties and the addresses delivered by Secretary of War George H. Dern, High Commissioner Frank Murphy, and President

Manuel L. Quezon, on November 15, 1935, be made a part of the records of the National Assembly.

44. Resolution authorizing the Committee on Public Instruction to conduct a study and investigation of education, public and private.

45. Resolution approving all the reforms and changes made by the President of the Philippines in the organization of the Government in accordance with the provisions of Commonwealth Act No. 5.

46. Resolution authorizing Maj. Gen. Basilio J. Valdes, Deputy Chief of Staff, Army of the Philippines, to accept the Order, and to wear the corresponding insignia, conferred upon him by the Government General of French Indo-China and His Majesty, the Emperor of Annam.

47. Resolution authorizing the Committee on Appropriations to meet during the recess of the National Assembly.

48. Resolution authorizing the Committee on Labor and Immigration to meet during the recess of the National Assembly.

49. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its first regular session, unless the Executive have some message or communication to transmit to the Assembly.

50. Resolution declaring the minutes of the session of today, October 9, 1936, to have been read and approved.

C. First Special Session

51. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

52. Resolution requesting the President of the Philippines to return bill No. 727 to the National Assembly.

53. Resolution authorizing the Committee on Bills on Third Reading to meet during the sitting of the National Assembly or during the recess.

54. Resolution advising the President of the Philippines of the existence of a vacancy in the membership of the National Assembly.

55. Resolution requesting the President of the Philippines to return bill No. 2329 and after reconsidering the same that its reprinting be authorized with an amendment offered by the Committee on Bills on Third Reading and such other amendments as may be adopted by the Assembly.

56. Resolution requesting the President of the Philippines to return bill No. 1874 and after reconsidering the bill that its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

57. Resolution requesting the President of the Philippines to return bill No. 705 and after reconsidering the bill that its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

58. Resolution giving authority for Assemblymen-elect or such as may be returned during the recess of the National Assembly to qualify.

59. Resolution directing the Committee on Navigation to conduct an inquiry as to the operation of steam and motor ships of the Cebu registry.

60. Resolution requesting His Excellency, the President of the Philippines, to return bill No. 2300 and after reconsidering the bill, the Committee on Bills on Third Reading be authorized to order it reprinted with an amendment.

61. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Andres Buendia, Representative of the Second District of Batangas in the Seventh Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

62. Resolution requesting the President of the Philippines to return bill No. 168 and after reconsidering the bill its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

63. Resolution requesting the President of the Philippines to return bill No. 2251 and after reconsidering the bill its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

64. Resolution requesting the President of the Philippines to return bill No. 2145 and after reconsidering the bill that its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

65. Resolution requesting the President of the Philippines to return bill No. 1984 and after reconsidering the bill that its reprinting be authorized with amendments by the Committee on Bills on Third Reading.

66. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Special Session, unless the Executive have some message or communication to send to the Assembly.

67. Resolution declaring the minutes of the session of today, October 30, 1936, to have been read and approved.

68. Resolution expressing the high regard and appreciation of this Assembly for the Honorable Gil Montilla, its illustrious Speaker, for the able, fair, and dignified manner in which he has guided its deliberations.

D. Second Special Session

69. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

70. Resolution expressing the profound regret of the National Assembly of the Philippines over the death of Hon. Joseph T. Robinson, floor leader of the United States Senate.

71. Resolution creating a committee to examine the election returns of the plebiscite on woman suffrage.

72. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Juan T. Lucero, Representative for the First District of La Union in the Fourth and Fifth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

73. Resolution requesting the President of the Philippines to send to the National Assembly a message recommending the appropriation of funds for the construction of elementary school buildings.

74. Resolution requesting the President of the Philippines to send to the National Assembly a message recommending a large appropriation of funds for the opening of school classes.

75. Resolution to certify to the result of the plebiscite on the question of woman suffrage.

76. Resolution declaring the minutes of the session held on this date, September 8, 1937, to have been read and approved.

77. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Second Special Session unless he have some message or communication to send to the Assembly.

E. Third Special Session.

78. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

79. Resolution declaring the minutes of the session held on this date, September 9, 1937, to have been read and approved.

80. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Third Special Session unless he have some message or communication to send to the Assembly.

F. Second Session

81. Resolution authorizing the appointment of a committee to inform the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

82. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Felipe C. Diaz, Representative for the Second District of La Union in the Fifth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

83. Resolution amending paragraph (6) of section 1, Rule VI, of the Rules of the National Assembly.

84. Resolution thanking Gen. Douglas MacArthur for his invaluable services in organizing the Philippine Army and the national defense of the Commonwealth of the Philippines.

85. Resolution authorizing the appointment of a committee to inform the President of the Philippines that the National Assembly is ready to close its Second Regular Session, unless the Executive have some message or communication to transmit to the Assembly.

86. Resolution declaring the minutes of the session of today, November 20, 1937, to have been read and approved.

G. Third Session

87. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send.

88. Resolution expressing the profound regret of the National Assembly over the death of the Honorable Jose A. Angara, and authorizing the designation by the Speaker of a committee to set the date for the apologetic session on the life, character, and public services of the late Member of the Assembly for the First District of the Province of Tayabas.

89. Resolution expressing the profound sorrow of the National Assembly over the death of the Honorable Pedro Guevara, former Resident Commissioner to the United States, Senator from the Fourth District, Member of the Philippine Assembly, and delegate to the Constitutional Convention, and providing for adjournment in token of mourning.

90. Resolution expressing the condolence of the National Assembly upon the death of Lt. Col. James B. Ord, United States Army.

91. Resolution expressing the regret of the National Assembly over the death of the Honorable Pastor B. Noel, late Representative for the Sixth District of Cebu in the Seventh Philippine Legislature, and providing for adjournment in token of mourning.

92. Resolution requesting His Excellency, the President of the Philippines, the return of bill No. 406, for further study.

93. Resolution requesting of His Excellency, the President of the Philippines, the return of bill No. 2070 for further study.

94. Resolution expressing the regret of the National Assembly over the death of the Honorable Luis Morales, late Senator for the Third District, Member of the Philippine Assembly and delegate to the Constitutional Convention, and providing for adjournment in token of mourning.

95. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Hadji Butu, Member of the former Philippine Senate for the Twelfth District, and providing that the Assembly adjourn in token of mourning.

96. Resolution to create a special committee to be composed of 11 members of the Assembly to make a survey and investigation of the deplorable condition of the hemp industry in the Philippine Islands and to recommend to the National Assembly appropriate measures for its relief.

97. Resolution creating a special committee to make a survey and investigation of the conditions and circumstances attending the coconut production, trade, and industry.

98. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Vicente Singson Pablo, late Representative for the First District of Ilocos Sur in the Sixth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

99. Resolution indorsing the joint report of the Committee on Public Services and the Special Committee on Rate Reduction of Public Utilities to the Executive Department.

100. Resolution to amend section 1, Rule XII of the Rules of the National Assembly.

101. Resolution to declare a recess of the National Assembly to April 18, 1938.

102. Resolution to petition the Congress of the United States to remedy the present plight of the coconut industry in the Philippines.

103. Resolution requesting of His Excellency, the President of the Philippines, the return of bill No. 441 for further study.

104. Resolution requesting of His Excellency, the President of the Philippines, the return of bill No. 3347 for further study.

105. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Jose Tupas, a Member of the Second Philippine Legislature from the Second District of Rizal, and providing for adjournment of the Assembly in token of mourning.

106. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Third Session, unless the Executive have some message or communication to transmit to the Assembly.

107. Resolution declaring the minutes of the session of today, May 19, 1938, to have been read and approved.

108. Resolution authorizing the Committees on Agriculture, Ways and Means, Public Services, Public Instruction, Mines, Revision of Laws, and the Special Committees on Coconut and Hemp to sit and hold meetings during the recess of the National Assembly in order to study several measures pending in said committees.

109. Resolution expressing to its illustrious Speaker, the Honorable Gil Montilla, the high regard and appreciation of this Assembly for the able, fair, and dignified manner in which he has guided its deliberations.

H. Fourth Special Session

110. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send.

111. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Fourth Special Session, unless the Executive have some message or communication to transmit to the Assembly.

112. Resolution declaring the minutes of the session of today, May 24, 1938, to have been read and approved.

I. Fifth Special Session

113. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send.

114. Resolution expressing the profound regret of the National Assembly over the death of the Honorable Cayetano Lukban, a Member of the First Philippine Assembly, and providing that the Assembly adjourn in token of mourning.

115. Resolution acknowledging the death of the Honorable Pedro Ma. Sison as an irreparable loss to the country and a cause for national mourning, and providing that the Assembly adjourn in token of mourning.

116. Resolution expressing the profound regret of the National Assembly over the death of the Hon. Lamberto Siguion Reyna, late Representative for the Second District of Pangasinan in the Sixth Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

117. Resolution concurring in Proclamation No. 304 of the President of the Philippines excluding a parcel of public land from the Nabua Forest Reserve and Nabua Communal Forest Parcel II, under the operation of proclamation No. 53, series of 1936, and Forestry Administrative Order No. 2804, dated January 2, 1936, and opening such land to disposition under the provisions of Commonwealth Act No. 137.

118. Resolution concurring in Proclamation No. 271 of the President of the Philippines excluding a certain parcel of land from the Central Cordillera Forest Reserve established under proclamation No. 217, series of 1929.

119. Resolution expressing the gratitude of the National Assembly of the Philippines to the Government and people of the United States of America for the enlightened policy of justice and liberation pursued by her in the Philippines.

120. Resolution expressing the profound regret of the National Assembly over the death of the Honorable Luciano Sinko, a Member of the First Philippine Assembly, and providing that the Assembly adjourn in token of mourning.

121. Resolution declaring the minutes of the session of today, August 15, 1938, to have been read and approved.

122. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Fifth Special Session, unless the Executive have some message or communication to send to the Assembly.

II. SECOND NATIONAL ASSEMBLY

A. *First Session*

1. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the Second National Assembly is duly constituted and ready to receive any communication which the Chief Executive may see fit to send.

2. Resolution fixing the time for the daily session of the National Assembly.

3. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Florentino Peñaranda, a Member of the First Philippine Assembly, representing the Third District of Leyte.

4. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Ananias Laico, late Representative for the Second District of Laguna in the Seventh Philippine Legislature and providing that the Assembly adjourn in token of mourning.

5. Resolution expressing the grief of the National Assembly over the death of the Honorable Ruperto Kapunan, late Assemblyman for the Fifth District of the Province of Leyte, attesting to the respect in which his memory is held by the Members of the Assembly, and authorizing the Speaker to name a committee to take charge of arrangements for the funeral services and to set a date for the necrological session where to extol the life, character, and public services of the departed.

6. Resolution creating a special committee to make a survey and investigation of the condition and circumstances of the coconut and hemp production, industry, and trade.

7. Resolution endorsing the recommendations of the report of the Joint Preparatory Committee on Philippine Affairs.

8. Resolution expressing the profound sorrow of the Members of the National Assembly of the Philippines upon the death of His Holiness, the Pope, Pius the Eleventh.

9. Resolution authorizing the Speaker of the National Assembly to appoint a committee to investigate charges of race discrimination.

10. Resolution protesting against reported proposals in the Congress of the United States to increase the excise tax on Philippine coconut oil.

11. Resolution expressing the sorrow of the National Assembly on the death of the Honorable Vincente Lontoc, Representative for the First District of Batangas in the Fifth Philippine Legislature.

12. Resolution expressing the regret of the National Assembly upon the death of the Honorable Primitivo San Agustin, Representative for the First District of Tayabas in the Seventh Philippine Legislature, and of the Honorable Regino Veridiano, late a Member of the First National Assembly, for the Second District of Cagayan.

13. Resolution expressing the regret of the National Assembly upon the death of the Honorable Gabriel Alba, a Member of the Philippine Assembly, for the Province of Zambales, in the Second and Third Philippine Legislature.

14. Resolution expressing the regret of the National Assembly upon the death of the Honorable Segundo Gaston, Representative for the Province of Oriental Misamis in the Seventh and Tenth Philippine Legislature.

15. Resolution expressing the regret of the National Assembly over the death of the Honorable Jose T. Pecson, a Member for the Third District of Pangasinan in the Second Philippine Legislature.

16. Resolution expressing the profound condolence of the National Assembly in the death of the Honorable Teodoro R. Yangco, former Philippine Resident Commissioner to the United States, and providing for adjournment in token of mourning.

17. Resolution concurring in Proclamation No. 385 of the President of the Philippines excluding from the operation of Proclamation No. 217, dated February 16, 1929, a parcel of land located in the Municipal Districts of Tuba and Itogon, Mountain Province, Island of Luzon.

18. Resolution requesting the President of the Philippines to withdraw and return to the National Assembly bill No. 3943 now pending approval by the President of the United States, for the purpose of reconsidering it.

19. Resolution authorizing the Committee on Public Services to make a survey and investigation of public services with a view to recommending to the National Assembly such measures as will result in a reduction of rates and charges for such services.

20. Resolution recommending that His Excellency, the President, take the necessary action to correct deficiencies in the service of the Manila Railroad Co.

21. Resolution creating a special committee to study the manner of redistricting the Philippines in accordance with the result of the new enumeration of population.

22. Resolution expressing the opinion of the National Assembly that the Government should construct tobacco warehouses and to grant facilities for loans to the planters of that product.

23. Resolution designating the Honorable Maximo M. Kalaw and the Honorable Pedro Sabido as representatives of the National Assembly to undertake a study of the problems of the coconut and hemp trade in foreign markets.

24. Resolution empowering the Speaker of the National Assembly to authorize trips of legislative investigation during the recess.

25. Resolution designating the floor leader, Hon. Quintin Paredes,

to represent this Assembly and to cooperate in the work of the Philippine Mission before the Congress of the United States.

26. Resolution authorizing the Committee on Internal Government to function in the City of Manila during the recess of the Assembly in order to proceed, if so requested by the party respondent, with the investigation of the charges involving Assemblyman Felipe Buen-camino, Jr., or any other case in connection therewith.

27. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its First Session unless he should have some message or communication to send to the Assembly.

28. Resolution declaring the minutes of the session of today, May 18, 1939, to have been read and approved.

29. Resolution expressing the high regard and appreciation of this Assembly for its illustrious Speaker, Hon. Jose Yulo, and most distinguished floor leader, Hon. Quintin Paredes, for the able, wise, fair, and dignified manner in which the conduct of its business and deliberations have been directed.

B. First Special Session

30. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

31. Resolution fixing the hour for the daily session of the National Assembly during the present special session.

32. Resolution expressing the sorrow of the National Assembly on the death of the Honorable Alberto Reyes, Representative for the First District of Ilocos Sur in the Third and Fourth Philippine Legislature.

33. Resolution expressing the deep sorrow of the National Assembly over the death of Dr. Rafael Palma.

34. Resolution of enthusiastic congratulation to His Excellency, the President of the Philippines, Manuel L. Quezon, on the occasion of his birthday.

35. Resolution accepting Public Act No. 300 of the Congress of the United States, approved August 7, 1939, entitled "An Act to amend an act entitled 'An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes.'"

36. Resolution expressing the condolence of the National Assembly on the death of the Honorable Isidoro de Santos y Ongsiako, Delegate from the First District of Manila in the Third Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

37. Resolution expressing full adherence to the sentiments contained in the message delivered by His Excellency, the President of the Philippines, before the National Assembly on September 5, 1939, and endorsing the policy enunciated therein.

38. Resolution proposing amendments to titles III, VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, and XVII of the Philippine Constitution and to the ordinance appended thereto, and the adoption of two new titles, one establishing a committee on elections and another

fixing the effective date of said amendment, and adopting certain transitory provisions.

39. Resolution proposing amendments to subsection (5) of section 1 and section 3 of the ordinance appended to the Constitution of the Philippines in accordance with section 7 of Act No. 300 of the Congress of the United States, approved August 7, 1939, entitled "An act to amend an act entitled 'An act to provide for the complete independence of the Philippine Islands, to provide for the adoption of a constitution and a form of government for the Philippine Islands, and for other purposes.' "

40. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its special session, unless the Executive have some message or communication to send to the Assembly.

41. Resolution declaring the minutes of the session of today, September 18, 1939, to have been read and approved.

C. Second Special Session

42. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

43. Resolution fixing the hour for the daily session of the National Assembly during the Second Special Session.

44. Resolution reaffirming the adherence of the National Assembly to the independence program provided in the Tydings-McDuffie Act.

45. Resolution authorizing the Committee on Agriculture to continue holding hearings on the sugar bill during the recess of the National Assembly.

46. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Second Special Session unless he should have some message or communication to send to the Assembly.

47. Resolution declaring the minutes of the session of today, September 29, 1939, to have been read and approved.

48. Resolution authorizing the Committee on Education to meet during the recess of the National Assembly.

D. Third Special Session

49. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that this body is ready to receive any communication which the Chief Executive may see fit to send.

50. Resolution fixing the hour for the daily session of the National Assembly during the Third Special Session.

51. Resolution creating a committee to canvass the returns of the general election on the amendments to the ordinance appended to the Constitution of the Philippines.

52. Resolution expressing the deep regret of the National Assembly over the death of the Honorable Teodoro Sandiko and providing that the Assembly adjourn in token of mourning.

53. Resolution certifying the result of the general election on the amendments to the ordinance appended to the Constitution of the Philippines.

54. Resolution authorizing the Committee on Revision of Laws to meet during the recess of the National Assembly to consider the advisability of amending the Mechanical Engineering Law.

55. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its Third Special Session, unless the Executive have some message or communication to send to the Assembly.

56. Resolution declaring the minutes of the session of today, November 14, 1939, to have been read and approved.

E. Second Session

57. Resolution authorizing the appointment of a committee to notify the President of the Philippines that a quorum of the National Assembly is present and that the Assembly is ready to receive any communication which the Chief Executive may see fit to send.

58. Resolution fixing the hour for the daily session of the National Assembly.

59. Resolution expressing the sorrow of the National Assembly over the death of the Honorable Jose G. Domingo, Representative for the Second District of Tarlac in the Eighth and Ninth Philippine Legislature.

60. Resolution expressing the profound sorrow and regret of the National Assembly over the death of the Honorable Juan Posadas, Jr., late Mayor of the City of Manila.

61. Resolution to advise the President of the Philippines of the existence of a vacancy in the National Assembly.

62. Resolution expressing the condolence of the National Assembly over the death of Hon. Teogenes Quiaoit, former Representative for the Second District of Iloicos Norte in the Third Philippine Legislature.

63. Resolution expressing the condolence of the National Assembly over the death of the Honorable Vicente Lozada, former Assemblyman for the Sixth District of the Province of Cebu in the Second and Third Philippine Assembly.

64. Resolution expressing the grief of the National Assembly over the death of the Honorable Ruperto Montinola, late Assemblyman for the Second District of the Province of Iloilo, attesting to the respect in which his memory is held by the Members of the Assembly, and authorizing the Speaker to name a committee to take charge of arrangements for the funeral services and to set a date for the necrological session where to extol the life, character, and public services of the departed.

65. Resolution advising the President of the Philippines of the existence of a vacancy in the National Assembly.

66. Resolution requesting the President of the Philippines to withdraw and return to the National Assembly bill No. 2396, entitled "An act to amend section 37 of Act No. 4003, commonly known as the Fisheries Act," now pending approval by the President of the United States.

67. Resolution requesting the President of the Philippines to withdraw and return to the National Assembly bill No. 2336, entitled "An

act to amend the act of Congress approved August 5, 1909, entitled "An act to raise revenue for the Philippine Islands and for other purposes," as amended, by empowering the President of the Philippines to increase or decrease the rates of duty on imported products within certain specified limits," now pending approval by the President of the United States.

68. Resolution requesting the President of the Philippines to withdraw and return to the National Assembly bill No. 1490, entitled "An act amending paragraphs 264 and 265, group 6, class 13, of the act of Congress entitled 'An act to raise revenue for the Philippine Islands, and for other purposes,' approved by the Congress of the United States on August 5, 1909, as amended, for the purpose of revising the classification of the article and rates of custom duty provided therefor," now pending approval by the President of the United States.

69. Resolution indorsing to the Executive Department the report of the Committee on Public Services on the investigations of the books and accounts of major public services operating in the Philippines and recommending that prompt and appropriate action be taken for the protection of the public interests involved.

70. Resolution concurring in Proclamation No. 510 of His Excellency, the President of the Philippines, revoking Forestry Administrative Orders No. 2-37 (old Administrative Order No. 41) and 2-38 (old Administrative Order No. 42), both series of 1930, and Administrative Orders unnumbered, series of 1926 and 1928, establishing four parcels of land as communal forests for the municipalities of Antipolo and Teresa, Province of Rizal, and opening said four parcels of land for disposition under the provisions of Commonwealth Act No. 137, known as the "Mining Act."

71. Resolution expressing the energetic protest of the National Assembly against the increased freight rates on the exportation of abaca from the Philippines to be unjust and discriminatory and requesting the intervention of the Executive.

72. Resolution expressing the condolence of the National Assembly upon the death of the Honorable Feliciano Ramoso, Representative for Nueva Ecija in the Seventh Philippine Legislature, and providing that the Assembly adjourn in token of mourning.

73. Resolution amending Resolution No. 38, approved September 15, 1939, entitled "Resolution proposing amendments to Articles III, VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, and XVII of the Constitution of the Philippines, and to the ordinance appended thereto; and the adoption of two new articles, one establishing a commission on elections, and the other fixing the effective date of said amendments and adopting certain transitory provisions."

74. Resolution requesting the President of the Philippines to withdraw and return to the National Assembly, bill No. 1047 entitled "An act providing for the establishment of a Reserve Bank in the Philippines" and bill No. 1244, amending the former bill, now pending approval by the President of the United States.

75. Resolution concurring in Proclamation No. 509 of the President of the Philippines, excluding from the operation of Proclamation No. 31, dated July 31, 1917, and opening to disposition under the provisions of Commonwealth Act No. 137 a parcel of land situated in the Barrio of Burdeos, Municipality of Polillo, Island of Polillo, Province of Tayabas, Island of Luzon.

76. Resolution condemning the acts appearing in the records of a criminal case as committed by Mr. Felipe Buencamino, Jr. while he was a Member of the First National Assembly.

77. Resolution condemning and censuring Assemblyman Jose Bonto for his act in the case of the Philippine Railway Co. bonds.

78. Resolution expressing the deep regret of the National Assembly over the death of the Honorable Gabriel Lasam, a Member of the First Philippine Assembly.

79. Resolution authorizing the appointment of a committee to notify the President of the Philippines that the National Assembly is ready to close its second session, unless the Executive have some message or communication to transmit to the Assembly.

80. Resolution declaring the minutes of the session of today, May 8, 1940, to have been read and approved.

81. Resolution expressing the high esteem and appreciation of the Assembly to its illustrious Speaker, the Honorable Jose Yulo, and to its most distinguished floor leader, the Honorable Quintin Paredes, for the righteous, wise, able, and dignified manner in which they have guided the affairs and deliberations of this body.

APPENDIX VII

LEGISLATION AND ORDERS GOVERNING EXPORT QUOTAS

OFFICE OF THE PRESIDENT OF THE PHILIPPINES,
PHILIPPINE SUGAR ADMINISTRATION,
Manila, October 10, 1938.

PHILIPPINE SUGAR ORDER NO. 15

Whereas section 201, title II, of the Sugar Act of 1937 provides that the Secretary of Agriculture, of the United States "shall determine for each calendar year the amount of sugar needed to meet the requirements of consumers in the continental United States; such determinations shall be made during the month of December in each year for the succeeding calendar year and at such other times during such calendar year as the Secretary may deem necessary to meet such requirements"; and

Whereas section 202, title II, of said Sugar Act of 1937 provides that "In no case shall the quota for the Commonwealth of the Philippine Islands be less than the duty-free quota now established by the provisions of the Philippine Independence Act"; and

Whereas section 206, title II, of said Sugar Act of 1937 provides that the Government of the Commonwealth of the Philippine Islands shall make allotments of any quota established for it "on the basis specified in section 6 (d) of Public Law No. 127, approved March 24, 1934" (referred to above as the Philippine Independence Act); and

Whereas section 6 (a) of Public Law No. 127, approved March 24, 1934, provides that duty shall be levied, collected, and paid "on all refined sugars in excess of 50,000 long tons, and on unrefined sugar in excess of 800,000 long tons coming into the United States from the Philippine Islands in any calendar year," a total of 850,000 long tons, or 952,000 short tons; and

Whereas Executive Order No. 900 of the Governor General, Manila, October 30, 1935, and its supplement provides for the allocation of the United States Philippine quota to the sugar-producing mills of the Islands and between the mill and the planters on the basis specified for unrefined sugar in section 6 (d) of Public Law No. 127, approved March 24, 1934; and Executive Orders of the Governor General No. 873, Manila, September 30, 1935, and No. 885, Manila, October 12, 1935, provide for the succession in interest of such planters; and

Whereas it is necessary that various of the mill companies commence milling the 1938-39 crop before the month of December 1938, for seasonal reasons:

Therefore, by virtue of the authority vested in me by Executive Order of the President of the Philippines, No. 118, Manila, September 16, 1937, it is hereby ordered that:

1. There is hereby allocated a total of centrifugal sugar which may be exported to continental United States, including that converted

to refined sugar for exportation to continental United States, of 952,000 short tons, commercial weight, to the sugar mill companies and planters in the Philippine Islands on the basis of the coefficients and planters' rights set forth in Executive Order No. 900 and its supplement, as such order may have been, or may be, modified by entries in the district transfer registries lawfully made under the terms of Executive Order No. 873 or by entries in the district planters' registries lawfully made under the terms of Executive Order No. 885. The allocation provided for in this section shall be evidenced and enforced by official permits to ship sugar to continental United States, series of 1939, to be issued under the authority of the Philippine Sugar Administrator: *Provided*, That each such permit shall show the commercial weight of the sugar covered thereby.

2. Of the quantity of sugar allocated to sugar mill companies and planters in the Philippine Islands in section 1, hereinabove, 56,000 short tons, commercial weight, equivalent to 59,920 short tons, net weight, raw value, may be manufactured in the Philippine Islands into refined sugar and thereafter may be transported to, received in, processed or marketed in continental United States: *Provided*, That any loss in weight through the refining process may be made up by the use of such emergency reserve sugar as may be available in the Philippine Islands under laws and regulations of the Commonwealth of the Philippine Islands now and hereafter in effect.

3. The quantity of sugar permitted to be manufactured into refined sugar in the Philippine Islands in section 2, hereinabove, is hereby allocated to the manufacturers of refined sugar in the Philippine Islands proportionately on the basis of their exportation to the United States during the calendar year 1938, as evidenced by a certified statement of the Insular Collector of Customs to be filed with the Philippine Sugar Administrator. Within the limits of the allocation made in this section, manufacturers of refined sugar may exchange official permits to ship sugar to continental United States, series of 1939, for official permits to ship refined sugar to continental United States, series of 1939, in the ratio of 100 pounds commercial weight of centrifugal to 100 pounds commercial weight of refined or 107 pounds, net weight, raw value, of refined sugar, such permits to ship refined sugar to be issued under the authority of the Philippine Sugar Administrator.

RAF. R. ALUNAN,
Philippine Sugar Administrator.

MANILA, March 20, 1939.

PHILIPPINE SUGAR ORDER NO. 16

Pursuant to the provisions of section 10 of Act No. 4166, and by virtue of the authority vested in me by Executive Order No. 118, Manila, September 16, 1937, it is hereby ordered that:

1. There is established an additional domestic quota for the 1938-39 crop year of 15,000 short tons.

2. This additional quota will be divided among the mill districts on the basis of their mill district coefficients set forth in Part 49 of Supplement to Executive Order No. 901, as amended by inter-district transfers.

3. All mills filling their portion of this additional quota by milling of cane will be required to pay the corresponding milling license fee.

GIL MONTILLA,
Philippine Sugar Administrator.

MANILA, *June 26, 1939.*

PHILIPPINE SUGAR ORDER NO. 17

Subject: Piculs instead of pounds—Use of.

Effective with the quota year 1940, the quantity on all warehouse receipt-permits for centrifugal sugar will be expressed in piculs and hundredths of piculs instead of pounds.

D. E. GRAHAM,
Assistant Administrator.
(For the Administrator).

MANILA, *June 26, 1939.*

PHILIPPINE SUGAR ORDER NO. 18

Subject: 1939-40 Allocation of B and C Sugar.

Pursuant to the provisions of Act No. 4166, as amended by Commonwealth Acts Nos. 77 and 323, and by virtue of the authority vested in me by Executive Order No. 118 of the President of the Philippines, it is hereby ordered that:

1. There is allocated a total of centrifugal sugar which may be manufactured during the crop year 1939-40 for consumption in the Philippines, either in its original form or as refined sugar, of 110,000 short tons, commercial weight, to the mill companies and planters in the Philippines on the basis of the coefficients and planters rights set forth in Executive Order of the Governor General No. 901 and its supplements as such order may have been, or may be, modified by entries in the District Transfer and Planters Registries lawfully made under the terms of Executive Orders of the Governor General Nos. 873 and 885. The allocation made in this section shall be evidenced and enforced by official permits for sale of sugar for consumption in the Philippines, 1940, to be issued under the authority of the Philippine Sugar Administrator, each such permit to show the commercial weight of the sugar covered thereby.

2. Of the quantity of sugar allocated in section 1, above, 14,101.404 short tons, commercial weight, shall be allocated to the Rosario, marginal, and submarginal mill districts as follows:

	<i>Short ton</i>
37—Rosario-----	4, 838. 364
Marginal:	
5—Balanga-----	821. 000
10—Cabiao-----	1, 153. 000
29—Manaoag-----	2, 332. 000
31—Norte-----	2, 063. 000
Submarginal:	
23—Leonor-----	864. 000
25—Lourdes-----	931. 000
27—Mabalacat-----	1, 096. 000
47—University-----	3. 040
Total-----	14, 101. 404

3. There is allocated a total of centrifugal sugar which may be manufactured during the crop year 1939-40 for emergency reserve, of 45,000 short tons, commercial weight, to the mill companies and planters in the Philippines on the basis on the basis of the coefficients and planters' rights set forth in Executive Order of the Governor General No. 901 and its supplements, as such order may have been, or may be, modified by entries in the District Transfer and Planters Registries lawfully made under the terms of Executive Orders of the Governor General Nos. 873 and 885. The allocation made in this section shall be evidenced and enforced by official permits for release of emergency reserve sugar—1940, to be issued under the authority of the Philippine Sugar Administrator, each such permit to show the commercial weight of the sugar covered thereby.

4. Of the quantity of sugar allocated in section 3, above, 857,0225 short tons, commercial weight, shall be allocated to the marginal and submarginal mill districts as follows:

	<i>Short tons</i>
Marginal:	
5—Balanga-----	176. 7625
10—Cabiao-----	156. 4940
29—Manaoag-----	166. 2340
31—Norte-----	121. 7000
Submarginal:	
23—Leonor-----	86. 8380
25—Lourdes-----	45. 9445
27—Mabalacat-----	102. 8205
47—University-----	0. 2290
	857. 0225

GIL MONTILLA, *Administrator.*

MANILA, August 4, 1939.

PHILIPPINE SUGAR ORDER NO. 19

Subject: Release of Domestic Consumption Sugar.

Pursuant to the provisions of section 10 of Executive Order No. 14, Manila, January 21, 1936, and by virtue of the authority vested in me by Executive Order No. 118, Manila, September 16, 1937, it is hereby ordered that:

1. Philippine Sugar Order No. 6, dated November 12, 1937, is hereby revoked.

2. Centrifugal sugar for domestic consumption covered by official warehouse receipt-permits may be withdrawn from the mill warehouse from the first day of milling in and crop year in any quantity up to the domestic marketing allotment of the mill or planter concerned.

GIL MONTILLA, *Administrator.*

MANILA, August 17, 1939.

PHILIPPINE SUGAR ORDER NO. 20

Subject: Temporary Milling License for 1939-40 Crop Year.

Pursuant to the provisions of section 10 of Act No. 4166, and by virtue of the authority vested in me by Executive Order No. 118, Manila, September 16, 1937, it is hereby ordered that:

1. Each mill company shall be temporarily licensed to manufacture for the 1939-40 crop year a quantity of centrifugal sugar as shown in the following list:

Mill company	Total allotment	License fee
	<i>Short tons</i>	<i>Pesos</i>
1. Arayat.....	10,619	550
2. Asturias.....	17,384	850
3. Bacolod-Murcia.....	48,848	2,400
4. Bais.....	43,147	2,150
5. Balanga.....	4,177	200
6. Bamban.....	28,361	1,400
7. Bearin.....	12,093	600
8. Binalbagan.....	51,867	2,600
9. Bogo-Medellin.....	9,805	500
10. Cabiao.....	(¹)	-----
11. Calamba.....	50,185	2,500
12. Calatagan.....	1,424	50
13. Calumpit.....	5,435	250
14. Cebu.....	8,335	400
15. Canao.....	10,298	500
16. Del Carmen.....	67,376	3,350
17. Don Pedro.....	37,215	1,850
18. El Real.....	5,088	250
19. Hawaiian-Philippine.....	61,344	3,050
20. Isabella.....	31,777	1,600
21. Janiguay.....	6,925	350
22. La Carlota.....	77,601	3,900
23. Leonor.....	4,798	250
24. Lopez.....	19,630	1,000
25. Lourdes.....	2	-----
26. Ma-Ao.....	46,840	2,350
27. Mabalacat.....	3,716	200
28. Manapla.....	64,421	3,200
29. Manaog.....	4,236	200
30. Mindoro.....	9,958	500
31. Norte.....	4,121	200
32. Ormoc.....	7,279	350
33. Palma.....	9,452	450
34. Paniqui.....	9,587	500
35. Pasudeco.....	75,083	3,750
36. Pilar.....	15,238	750
37. Rosario.....	4,839	250
38. San Carlos.....	39,680	2,000
39. San Isidro.....	10,794	550
40. Santa Aniceta.....	5,256	250
42. Santos-Lopez.....	13,996	700
43. Sara-Ajuy.....	7,212	350
44. Talisay-Silay.....	50,263	2,500
45. Tarlac.....	64,859	3,250
46. Victorias.....	46,662	2,350
47. University.....	9	-----

¹ See Pasudeco.

2. Application for temporary milling license shall be made in letter form to the Philippine Sugar Administration at a date subsequent to the termination of milling operations for 1938-39 crop and prior to the commencement of milling operations for 1939-40 crop. Such application shall be accompanied by money order, draft, or certified check, payable to the order of the Philippine Sugar Administrator, covering the license fee corresponding to the total quantity of combined mill district, United States, domestic, and reserve allotments as set forth herein at the rate of ₱50 for each 1,000 short tons or fraction thereof not less than 500 short tons: *Provided, however,* That nothing in this order shall be construed as denying the Philippine Sugar Administrator the right to revise the license fee as may be required or authorized by law.

3. A temporary milling license will be issued subject to receipt from the mill company of satisfactory answers to a questionnaire prepared by the Administration concerning the operations and stocks of the various mill companies.

4. A temporary milling license will be valid only for such period as the Administration may allow each mill company for filing application for a final license, after a survey has been made of the stocks and operations of the various mill companies.

GIL MONTILLA, *Administrator.*

MANILA, *September 13, 1939.*

PHILIPPINE SUGAR ORDER NO. 21

Subject: Deficiency in the Additional B Quota—Filling of.

Pursuant to the authority conferred upon me by law, it is hereby ordered that:

1. Deficiencies in the 15,000 short tons additional domestic quota established in Philippine Sugar Order No. 16, Manila, March 20, 1939, are exempt from the provisions of section 3 (b) of Philippine Sugar Order No. 10, Manila, May 15, 1938.

2. On application of a planter who is deficient in his production allowance as to the additional domestic quota, the mill company shall issue to him a certificate of shortage for the planters' rights to the corresponding deficient marketing allotment without the necessity for the planter to make available district or nondistrict reserve sugar to cover the mill's corresponding marketing allotment.

3. On issuance of a certificate of shortage to cover a deficiency in the additional B quota, the mill company shall mark the same, under the number of pounds, with the words "Addl. B."

4. This order shall remain in effect until November 30, 1939, by which time reserve sugar shall have been made available to cover the certificate of shortage and the reserve permit and the certificate of shortage properly endorsed with each other's serial numbers.

5. This order shall take effect immediately.

GIL MONTILLA, *Administrator.*

MANILA, *October 27, 1939.*

PHILIPPINE SUGAR ORDER NO. 22

Subject: Additional Domestic Quota for 1939-40 Crop.

Pursuant to the provisions of section 10 of Act No. 4166, and by virtue of the authority vested in me by Executive Order No. 118, dated September 16, 1937, as amended by Executive Order No. 210, dated June 23, 1939, it is hereby ordered that:

1. The 1939-40 domestic-consumption quota, as established by Philippine Sugar Order No. 18, dated June 26, 1939, is hereby increased to a total of 150,000 short tones, commercial weight.

2. The additional quota will be divided among the mill districts on the basis of their mill district coefficients set forth in Part 49 of Supplement to Executive Order No. 901, as amended by interdistrict transfers.

3. Milling of the additional quota will be permitted until December 31, 1940.

4. All mills filling their portion of the additional quota by milling of cane will be required to pay the corresponding milling license fee.

GILL MONTILLA, *Administrator.*

MALACAÑAN PALACE, MANILA

By the President of the Philippines

EXECUTIVE ORDER NO. 229—CORDAGE ALLOTMENTS FOR MAY 1, 1939
TO DECEMBER 31, 1939

Whereas Public Act No. 300 of the Congress of the United States, approved August 7, 1939, amending Public Act No. 127 of the Congress of the United States, approved March 24, 1934, provides for the continuance of the quota of 6 million pounds of cordage established for the Philippines by Public Act No. 137 of the Congress of the United States, approved June 14, 1935, after the expiration of the last-named act on May 1, 1941, and for the allocation of such quota, effective January 1, 1940, "by authorities of the Philippine Government among the manufacturers of such commodities proportionately upon the basis of the shipment of each such manufacturer to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines;"

Whereas the foregoing amendments make necessary the allocation of the Philippine cordage quota established in said Public Act No. 137 for the 8-month period May 1, 1939, through December 31, 1939, only;

Whereas, according to the monthly reports of the Collector of Customs, Philippine cordage producers and manufacturers, during the 12-month period beginning May 1, 1938, did not make any shipment to the United States in excess of the amount allotted to them by Executive Order No. 150, dated April 28, 1938, corresponding to the aforementioned period;

Now, therefore, pursuant to the authority vested in me by said Public Act No. 137 of the Congress of the United States, approved June 14, 1935, it is hereby ordered that:

1. The effective quota of 4 million pounds of Philippine cordage which may enter the United States during the 8-month period May 1, 1939, through December 31, 1939, shall be allocated among the producers and manufacturers thereof in the following manner:

	<i>Pounds</i>
Elizalde Rope Factory	2, 536, 836
Johnson-Pickett Rope Co.	1, 386, 994
Manila Cordage Co.	57, 425
General Manufacturing Co.	18, 745
Total	4, 000, 000

2. Shipments made prior to May 1, 1939, may be credited against the 1939 quota provided they arrived in any part of continental United States on or after May 1, 1939.

Done at the city of Manila, this 31st day of October, in the year of Our Lord, 1939, of the Commonwealth of the Philippines, the fourth

MANUEL L. QUEZON,
President of the Philippines.

B. No. 1243

SECOND NATIONAL ASSEMBLY, THIRD SPECIAL SESSION

[Commonwealth Act No. 510]

AN ACT To authorize the President of the Philippines either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to take charge of the allocation, reallocation, and administration of quotas established for the Philippines by Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939.

Be it enacted by the National Assembly of the Philippines:

SECTION 1. The President of the Philippines, either directly or through any department, bureau, office or instrumentality of the National Government which he may designate for the purpose, is authorized to make the allocation and reallocation of the quotas established for the Philippines by Public Act No. 137 of the Congress of the United States, approved March 24, 1934 as amended by Public Act No. 300 of the Congress of the United States, approved August 7, 1939, such quotas to be allocated, reallocated and administered in accordance with the provisions of the aforesaid act. The President of the Philippines is authorized to issue and promulgate such rules and regulations as may be necessary for the proper allocation, reallocation, and administration of said quotas.

SEC. 2. This act shall take effect upon its approval.

Approved, November 14, 1939.

Malacanan Palace, Manila

By the President of the Philippines

EXECUTIVE ORDER NO. 238—AUTHORIZING, UNTIL FURTHER ORDERS, THE SECRETARY TO THE PRESIDENT OF THE PHILIPPINES TO ALLOCATE AND REALLOCATE THE QUOTAS FOR ALL ARTICLES ESTABLISHED FOR THE PHILIPPINES BY PUBLIC ACT NO. 127 OF THE CONGRESS OF THE UNITED STATES, APPROVED MARCH 24, 1934, AS AMENDED; AND TO ISSUE EXPORT PERMITS THEREFOR

Whereas, pursuant to the provisions of section 6 of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, the Government of the Commonwealth of the Philippines is authorized to allocate and reallocate the quotas for all articles established for the Philippines under the terms thereof; and

Whereas Commonwealth Act No. 510, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by said Public Act No. 127, as amended, and to issue and promulgate such rules and regulations as may be necessary for the proper allocation, reallocation and administration of said quotas;

Therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. The allocation and reallocation of the quotas for all articles established for the Philippines under the terms of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, shall, until further orders, be under the charge of the secretary to the President of the Philippines who is hereby authorized to appoint, subject to such approval as may be required by law or regulation, such technical, clerical and other personnel as may be necessary for the effective performance of the duties which shall devolve upon him under the provisions of this order.

2. By virtue of this designation, the secretary to the President shall, in addition to his present duties, make the allocation and reallocation of the quotas for all articles, except sugar, established for the Philippines by said Public Act No. 127, as amended, among the manufacturers thereof and on the basis specified in said act, and shall enforce such rules and regulations as may be issued and promulgated by the President of the Philippines for the purpose.

In the exercise of his powers and duties under this order, the secretary to the President shall issue export permits covering shipments to the United States of all articles, except sugar, in respect of which quotas are established for the Philippines by the acts hereinabove mentioned, and may charge for the issuance of such permits such fees as shall be determined by the President. The amount so collected shall be kept as a special fund to be expended by the secretary to the President for the enforcement of this order.

3. No person, firm, corporation, or combination thereof shall ship or export to the United States any of the articles, except sugar, in respect of which quotas are established for the Philippines by said acts, unless the same are covered by permits issued, upon proper

application, by or under the authority of the secretary to the President of the Philippines.

4. The Insular Collector of Customs shall, on or after January 1, 1940:

(a) Prevent the loading of any article of a class or kind in respect of which a quota is established by Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended, except sugar, on any high-seas vessel on or after January 1, 1940, for shipment to the United States unless the number, quantity, or net weight of such article, as the case may be, is fully covered by permits for an equivalent number, quantity, or net weight of the class of such article issued by the Secretary to the President under the provisions of this Order;

(b) Collect and cancel by perforation all permits as described in paragraph (a), above, immediately after the article covered is placed aboard vessel;

(c) Cause to be made on a special form to be provided for that purpose, a record of each shipment made under permit, said report to include:

(i) An abstract of the bill of lading and invoice covering the shipment and containing the following information:

- (1) Name of consignor.
- (2) Name of consignee.
- (3) Number, quantity, or net weight in pounds of the article.
- (4) Date of completion of loading the article on vessel.
- (5) Name of vessel.
- (6) Name of shipping line or company operating vessel.
- (7) Port or subport of loading.
- (8) Port at which vessel cleared from Philippine waters.
- (9) Date of clearance from Philippine waters.
- (10) Ports of call in the United States prior to unloading; and
- (11) Port of discharge.

(ii) A list of the serial numbers, numbers, quantities, and net weights appearing on permits or coupons of permits covering the shipment.

(d) Certify and dispose of copies of the list prescribed in paragraph (c), above, in the following manner:

(i) The original to be certified and, together with the cancelled permits pertinent to the shipment concerned, to be forwarded immediately to the office of the secretary to the President;

(ii) The duplicate to be certified and attached to the certificate of origin;

(iii) Such additional copies as may, in the opinion of the Insular Collector of Customs, be desired to conform to the practices and requirements of commerce and navigation.

5. The allocation and reallocation of quotas for sugar exported to the United States shall continue to be undertaken by the Philippine Sugar Administration and shall continue to be governed by existing laws, rules, and regulations applicable thereto.

Done at the City of Manila, this 14th day of December, in the year of Our Lord, 1939, and of the Commonwealth of the Philippines, the fifth.

MANUEL L. QUEZON,
President of the Philippines.

OFFICE OF THE PRESIDENT OF THE PHILIPPINES,
MANILA, *December 19, 1939.*

QUOTA ADMINISTRATION ORDER NO. 1

Subject: Creating a Quota Administration and Control Section in the Finance Division and Prescribing the Functions Thereof.

Pursuant to the provisions of Executive Order No. 238, dated December 14, 1939, authorizing the secretary to the President to allocate, reallocate, and administer the quotas for all articles established for the Philippines by Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, and to issue export permits thereunder, and in accordance with section 79 (B) of the Revised Administrative Code, this Quota Administration Order is hereby promulgated for the information and guidance of all concerned:

1. *Creation and name.*—There is hereby created in the Finance Division of the Executive Office a section which shall be known as the Quota Administration and Control Section.

2. *Duties and functions.*—The Quota Administration and Control Section shall perform the following duties and functions:

(a) To take charge of the allocation and reallocation of the quotas for all articles, except sugar, established for the Philippines by Public Act No. 127 of the Congress of the United States, as amended by Public Act No. 300.

(b) To secure the effective enforcement of such rules and regulations as may be issued and promulgated by the President of the Philippines pursuant to the authority vested in him by Commonwealth Act No. 510, approved November 14, 1939.

(c) To take charge of the issuance of export permits covering shipments to the United States of all articles, except sugar, in respect of which quotas are established by said Public Act No. 127, as amended, keep an account of all such shipments and charge and collect for the issuance of such permits such fees as the President may determine.

(d) To recommend the promulgation of and prepare such rules and regulations as may be deemed necessary for the due and effective enforcement of the laws hereinabove mentioned; and

(e) To take charge of all matters relating to the enforcement of the provisions of the aforesaid Public Act No. 127, as amended, with respect to the allocation, reallocation, and administration of the quotas established for the Philippines by said act, and to perform such other duties as may be assigned to said Section by the Secretary to the President.

3. *Personnel.*—Under the supervision of the financial assistant, the Quota Administration and Control Section shall have as its immediate head an assistant, who shall act as the chief thereof, and such other technical and clerical personnel as may be assigned thereto by the secretary to the President.

4. *Effectivity.*—This Quota Administration order shall take effect on January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, December 19, 1939

QUOTA ADMINISTRATION ORDER NO. 2

Subject: Issuance of Export Permits Covering Shipments of Articles for Which Quotas Are Established by Public Act No. 300, Congress of the United States, Approved August 7, 1939.

The following forms, procedure, and system of accounting and bookkeeping are hereby prescribed in connection with the allocation and administration of the quotas established by the Philippine Economic Adjustment Act and the issuance by this Office of export permits thereunder:

1. *Application for export permit* (O. P. Forms Nos. 1 to 5).—Export permits shall be applied for in writing on the attached application for export permit form, which shall be filled and signed by the applicant. On this form the applicant shall state the quantity of the article or product he desires to ship and shall certify (a) that he is the owner or manager of the manufacturing firm making the shipment, stating the name under which it is registered in the Bureau of Internal Revenue or the Bureau of Commerce; (b) that the articles or products for which the export permit is applied are the produce or manufacture of said manufacturer or firm and are within his allotment; (c) that the shipment for which the permit is sought will be loaded on board the vessel named therein, which is scheduled to depart and arrive on the dates and at the port of discharge specified; and (d) such other information as this Office may require. The application shall be approved or disapproved by the Chief of the Quota Administration and Control Section, as the case may be.

2. *Export permits* (O. P. Forms 6 to 10).—Once the above application has been filed and approved, the corresponding export permit and duplicate will be issued to the shipper. The permit shall consist of two parts, namely, the permit proper and the stub. The permit proper shall be serially numbered and signed by the secretary to the President or by his duly authorized representative. It shall state the name of the manufacturer to whom it is issued, quantity of the article or product to be shipped, their destination, name of the vessel on which they will be loaded, the vessel's scheduled date of departure and arrival, the port of discharge, the date and place the permit was issued, and such other information as may be required.

It shall likewise state the total of the shipments to the United States (including Territories and possessions) made by the manufacturer to whom the permit is to be issued, from the commencement of the quota year to date, including the shipment covered by the permit applied for. This information shall be certified to by the Chief of the Quota Administration and Control Section, Finance Division Office of the President of the Philippines.

The stub shall bear the same serial number as the permit to which it is attached and state the date when the permit was issued, name of the manufacturer to whom it was issued, quantity of the article or product shipped, port of discharge, and the same information contained in the next preceding paragraph, which shall also be certified to by the official therein mentioned.

The shipper shall then take the export permit and its duplicate to the Bureau of Customs or to the Bureau of Internal Revenue in the

case of shipments of cigars and scrap and filler tobacco, with which he shall file such forms as may be required by the Tariff Act and by the rules and regulations of the Bureau of Customs and the Bureau of Internal Revenue in force on the date of the permit, such as the export entry, certificate or origin, and permit list forms.

3. *Permit ledger* (O. P. Forms Nos. 11 to 15).—To keep an accurate and up-to-date account of the shipments made by every allottee, a permit ledger shall be maintained for each allottee, in which will be recorded the following: the name of the allottee and the amount of his allotment, the vessel on which his first shipment was loaded, the date such shipment was posted by this Office, serial number of the permit issued, value of the permit, the new balance in the allottee's allotment after deducting the amount shipped, and the date the corresponding canceled permit was received. When the same shipper makes his next consignment, the same information will be recorded, except for the fact that the new balance of his allotment will be reproduced under a new column, "Previous," from which figure the second consignment will be deducted. The information to be recorded in this form will be taken from the application form and the stub of the export permit filed by the shipper.

When the original of the export permit is surrendered and copies of the export entry and permit list are furnished by the Bureau of Customs to this Office, the information contained therein with respect to the amounts, permit numbers, and description of the shipment will be checked against the data recorded in the above permit ledger, and if found correct such entry will be initialed by the Chief of the Quota Administration and Control Section in the column therein provided for the purpose.

4. This Quota Administration Order shall take effect on January 1, 1940.

JORGE B. VARGAS,
Secretary to the President

MANILA, *December 27, 1939.*

QUOTA ADMINISTRATION ORDER NO. 3

Subject: Designating Mr. Felino Neri as Chief of the Quota Administration and Control Section, Finance Division, Office of the President of the Philippines.

Pursuant to the authority conferred upon me by Executive Order No. 238, dated December 14, 1939, Mr. Felino Neri is hereby designated Chief of the Quota Administration and Control Section. He shall, in addition to his present duties, perform the duties assigned to said section pursuant to the provisions of Quota Administration Order No. 1, dated December 22, 1939, and shall, under the supervision of the financial assistant, be directly in charge of the work and personnel thereof.

This quota administration order shall take effect as of December 20, 1939.

JORGE B. VARGAS,
Secretary to the President

MANILA, *December 27, 1939.*

QUOTA ADMINISTRATION ORDER NO. 4

Subject: Cordage Allotments for January to December 31, 1940.

Whereas Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, provides for the continuance of the quota of 6,000,000 pounds of cordage established for the Philippines by Public Act No. 137, approved June 14, 1935, after the expiration of the last-named act on May 1, 1941, and for the allocation of such quota, effective January 1, 1940, "by authorities of the Philippine Government among the manufacturers of such commodities proportionately upon the basis of the shipment of each such manufacturer to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines";

Whereas Commonwealth Act No. 510 of the National Assembly, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by the aforesaid Public Act No. 300 and to issue and promulgate such rules and regulations as may be necessary for the proper allocation, reallocation, and administration of said quotas;

Whereas, under Executive Order No. 238, His Excellency, the President, has, until further orders, decreed that the allocation, reallocation, and administration of the quotas established by the acts above-mentioned should be under the charge of the Secretary to the President of the Philippines;

Whereas, according to the reports of the Insular Collector of Customs, the shipment of each manufacturer of cordage to the United States during the 12 months immediately preceding the inauguration of the Commonwealth of the Philippines are as follows:

Manufacturers:	<i>Shipments in pounds</i>
Elizalde Rope Factory.....	6, 280, 590
Johnson-Pickett Rope Co.....	2, 846, 289
Manila Cordage Co.....	2, 068, 445
General Manufacturing Co.....	11, 755
Total.....	11, 207, 079

Now, therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. The effective quota of 6,000,000 pounds of Philippine cordage which may enter the United States during the 12-month period beginning January 1, 1940, shall be allocated among the manufacturers thereof in the following manner:

Manufacturers	Percentage to to quota of 6,000,000 pounds	Allotments (pounds)
Elizalde Rope Factory	56.04128	3,363,293.16
Johnson-Pickett Rope Co.....	25.39724	1,524,203.88
Manila Cordage Co.....	18.45659	1,106,207.43
General Manufacturing Co.....	.10489	6,295.53
Total.....	100.00000	6,000,000.00

2. Shipments made prior to January 1, 1940, may be credited against the 1940 quota, provided they arrive in any part of continental United States on or after January 1, 1940.

3. This quota administration order shall take effect on January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, December 29, 1939.

QUOTA ADMINISTRATION ORDER NO. 5

Subject: Pearl or Shell Button Allotments for January 1 to December 31, 1940.

Whereas Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, established for the Philippines for the calendar year 1940 an original quota of 850,000 gross of pearl or shell buttons which may be shipped from the Philippines to the United States, free of duty, and authorized the Government of the Commonwealth of the Philippines to allocate said quota "among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the 5-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers";

Whereas Commonwealth Act No. 510 of the National Assembly, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by said Public Act No. 300 and to issue and promulgate such rules and regulations as may be necessary for the proper allocation, reallocation, and administration of said quotas;

Whereas, under Executive Order No. 238, His Excellency, the President, has, until further orders, decreed that the allocation, reallocation, and administration of the quotas established by the acts above-mentioned should be under the charge of the secretary to the President of the Philippines;

Whereas, according to the reports of the Insular Collector of Customs and the collector of internal revenue and the sworn statements of the manufacturers themselves, the manufacturers whose products were shipped to the United States during the calendar year 1937, directly or through other persons, the quantities of their annual shipments during the 5-year period beginning 1933 through 1937, and the maximum production of each such manufacturer shipped to the United States in any calendar year during the said period, are as follows:

Manufacturers	Shipment		Maximum shipment (gross)
	Year	Gross	
1. Manila Button Factory, Inc.-----	1933	299,558	299,558
	1934	261,123	
	1935	194,021	
	1936	219,467	
	1937	226,656	
2. Philippine Button Corporation.-----	1933	531,462	531,462
	1934	433,343	
	1935	497,557	
	1936	429,988	
	1937	437,937	
3. Shell-Craft Button Corporation (formerly Philippine Pearl Button Corporation)-----	1933	2,579	109,021
	1934	11,754	
	1935	2,962	
	1936	31,069	
	1937	109,021	

Therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. The effective original quota of 850,000 gross of pearl or shell buttons which may be shipped to the United States during the 12-month period beginning January 1, 1940, shall be allocated among the manufacturers thereof as follows:

Manufacturers	Percentage of maximum shipment to quota of 850,000 gross	Proposed allotment (gross)
1. Manila Button Factory, Inc.-----	31.86648	270,865
2. Philippine Button Corporation-----	56.53605	480,556
3. Shell-Craft Button Corporation (formerly Philippine Pearl Button Corporation)-----	11.59747	98,579
Total-----	100.00000	850,000

2. Shipments made prior to January 1, 1940, may be credited against the 1940 quota, provided they arrive in any part of continental United States on or after January 1, 1940.

3. This quota administration order shall become effective on January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, January 6, 1940.

QUOTA ADMINISTRATION NO. 6

Subject: *Scrap and Filler Tobacco Allotments for January 1 to December 31, 1940.*

Whereas Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, established for the Philippines for the calendar year 1940 an original quota of 4,500,000 pounds of scrap and filler tobacco which may be shipped from the Philippines to the United States, free of duty, and authorized the Government of the Commonwealth of the Philippines to allocate said quota "among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the 5-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers";

Whereas Commonwealth Act No. 510 of the National Assembly, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by said Public Act No. 300 and to issue and promulgate such rules and regulations as may be necessary for the proper allocation, reallocation, and administration of said quota ;

Whereas, under Executive Order No. 238, His Excellency, the President, has, until further orders, decreed that the allocation, reallocation, and administration of the quotas established by the acts above-mentioned should be under the charge of the Secretary to the President of the Philippines;

Whereas, according to the reports of the Insular Collector of Customs and the collector of internal revenue and the sworn statements of the manufacturers themselves, the manufacturers whose products were shipped to the United States during the calendar year 1937, directly or through other persons, the quantities of their annual shipments during the 5-year period beginning 1933 through 1937, and the maximum production of each such manufacturer shipped to the United States in any calendar year during the said period, are as follows:

Manufacturers	Shipment		Maximum shipment (pounds) —
	Year	Pounds	
1. Aguado Hermanos.....	1933	60, 949	93, 941
	1934	74, 637	
	1935	93, 941	
	1936	43, 861	
	1937	40, 607	
2. Alhambra.....	1933	272, 117	1, 927, 541
	1934	388, 133	
	1935	1, 416, 911	
	1936	238, 533	
	1937	1, 927, 541	
3. Bunning & Co.....	1933	130, 258	1, 931, 212
	1934	67, 728	
	1935	135, 792	
	1936	371, 704	
	1937	1, 931, 212	

Manufacturers	Shipment		Maximum shipment (pounds) —
	Year	Pounds	
4. Go Fay & Co.....	1933	11, 246	27, 179
	1934	12, 474	
	1935	7, 707	
	1936	27, 179	
	1937	17, 108	
5. Helena.....	1933	736, 112	1, 421, 005
	1934	691, 259	
	1935	740, 308	
	1936	845, 076	
	1937	1, 421, 005	
6. La Minerva.....	1933	81, 020	81, 020
	1934	78, 694	
	1935	27, 183	
	1936	23, 810	
	1937	5, 291	
7. Manila Tobacco Trading Co.....	1933	154, 015	668, 481
	1934	558, 982	
	1935	668, 481	
	1936	495, 299	
	1937	495, 299	

Therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. The effective original quota of 4,500,000 pounds of scrap and filler tobacco which may be shipped to the United States during the 12-month period beginning January 1, 1940, shall be allocated among the manufacturers thereof as follows:

Manufacturers	Percentage of maximum shipment to quota of 4,500,000 pounds	Allotment (pounds)
1. Aguado Hermanos.....	1. 52740	68, 733
2. Alhambra.....	31. 34020	1, 410, 309
3. Bunning & Co.....	31. 39989	1, 412, 995
4. Go Fay & Co.....	44.190	19, 886
5. Helena.....	23. 10435	1, 039, 696
6. La Minerva.....	1. 31732	59, 279
7. Manila Tobacco Trading Co.....	10. 86894	489, 102
Total.....	100. 00000	5, 500, 000

2. Shipments made prior to January 1, 1940, may be credited against the 1940 quota provided they arrive in any part of continental United States on or after January 1, 1940.

3. This quota administration order shall become effective as of January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, January 16, 1940.

QUOTA ADMINISTRATION ORDER NO. 7

Subject: Coconut Oil Allotments for January 1, 1940, to December 31, 1940.

Whereas Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, ap-

proved August 7, 1939, established for the Philippines for the calendar year 1940 an original quota of 200,000 long tons of coconut oil which may be shipped from the Philippines to the United States, free of duty, and authorized the Government of the Commonwealth of the Philippines to allocate said quota "among the manufacturers whose products were shipped to the United States during the calendar year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the 5-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers";

Whereas Commonwealth Act No. 510 of the National Assembly, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by said Public Act No. 300;

Whereas under Executive Order No. 238, His Excellency, the President, has, until further orders, decreed that the allocation, reallocation, and administration of the quotas established by the acts above mentioned should be under the charge of the secretary to the President of the Philippines;

Whereas according to the reports of the Insular Collector of Customs and the Collector of Internal Revenue and the sworn statements of the manufacturers themselves, the manufacturers whose products were shipped to the United States during the calendar year 1937, directly or through other persons, the quantities of their annual shipments during the 5-year period beginning 1933 through 1937, and the maximum production of each such manufacturer shipped to the United States in any calendar year during the said period, are as follows:

Manufacturers	Shipment		Maximum shipment (long tons)
	Year	Long tons	
1. Calamba Sugar Estate.....	1933	-----	899
	1934	-----	
	1935	-----	
	1936	537	
	1937	899	
2. Jao Cui Pien.....	1933	13,038	16,060
	1934	10,569	
	1935	9,875	
	1936	10,229	
	1937	16,060	
3. Lu Do & Lu Ym Co. ¹	1933	18,936	20,196
	1934	19,847	
	1935	20,196	
	1936	3,507	
	1937	4,104	
4. Luzon Industrial Corporation.....	1933	13,716	13,716
	1934	7,018	
	1935	10,742	
	1936	5,183	
	1937	6,067	
5. Madrigal Oil Mills.....	1933	1,272	6,685
	1934	-----	
	1935	1,628	
	1936	6,685	
	1937	2,421	

¹ Successors to Carraro, Vidal & Co.

Manufacturers	Shipment		Maximum shipment (long tons)
	Year	Long tons	
6. Philippine Mfg. Co.-----	1933	1	8, 126
	1934	4	
	1935	7, 192	
	1936	8, 126	
	1937	6, 232	
7. Philippine Refining Co.-----	1933	61, 923	76, 511
	1934	53, 309	
	1935	69, 971	
	1936	71, 138	
	1937	76, 511	
8. Spencer-Kellogg & Sons (Phil.), Inc.-----	1933	44, 598	47, 051
	1934	47, 051	
	1935	38, 460	
	1936	43, 580	
	1937	46, 696	

Therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. The effective original quota of 200,000 long tons of coconut oil which may be shipped to the United States during the 12-month period beginning January 1, 1940, shall be allocated among the manufacturers thereof as follows:

Manufacturers	Percentage of maximum shipment to quota of 200,000 long tons	Allotment (long tons)
1. Calamba Sugar Estate-----	0. 47505	950
2. Jao Cui Pien-----	8. 48640	16, 973
3. Lu Do & Lu Ym Co.-----	10. 67194	21, 344
4. Luzon Industrial Corporation-----	7. 24778	14, 495
5. Madrigal Oil Mills-----	3. 53248	7, 065
6. Philippine Manufacturing Co.-----	4. 29393	8, 588
7. Philippine Refining Co.-----	40. 42981	80, 860
8. Spencer-Kellogg & Sons (Phil.), Inc.-----	24. 86261	49, 725
Total-----	100. 00000	200, 000

2. Shipments made prior to January 1, 1940, may be credited against the 1940 quota provided they arrive in any part of continental United States on or after January 1, 1940.

3. This quota administration order shall become effective as of January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, January 19, 1940.

QUOTA ADMINISTRATION ORDER NO. 8

Subject: Cigar Allotments for January 1, 1940 to June 30, 1940.

Whereas Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, established for the Philippines for the calendar year 1940 an original quota of 200,000,000 cigars, exclusive of cigarettes, cheroots of all kinds and paper cigars and cigarettes, including wrappers, which may be shipped from the Philippines to the United States, free of duty, and authorized the Government of the Commonwealth of the Philippines to allocate said quota "among the manufacturers whose products were shipped to the United States during the calendar

year 1937, on the basis of the proportion which each manufacturer's maximum production shipped to the United States, directly or through other persons, in any calendar year during the 5-year period, 1933 through 1937, bears to the total of such maximum shipments of all such manufacturers";

Whereas Commonwealth Act No. 510 of the National Assembly, approved November 14, 1939, authorizes the President of the Philippines, either directly or through any department, bureau, office, or instrumentality of the National Government which he may designate for the purpose, to make the allocation and reallocation of the quotas established for the Philippines by said Public Act No. 300;

Whereas under Executive Order No. 238, His Excellency, the President, has, until further orders, decreed that the allocation, reallocation, and administration of the quotas established by the acts above mentioned should be under the charge of the secretary to the President of the Philippines;

Whereas according to the reports of the Insular Collector of Customs and the Collector of Internal Revenue and the sworn statements of the manufacturers themselves, the manufacturers whose products were shipped to the United States during the calendar year 1937, directly or through other persons, the quantities of their annual shipments during the 5-year period beginning 1933 through 1937, and the maximum production of each such manufacturer shipped to the United States in any calendar year during the said period, are as follows:

Manufacturers	Shipment		Maximum shipment (cigars)
	Year	Cigars	
Alhambra.....	1933	29, 378, 782	43, 772, 528
	1934	43, 772, 528	
	1935	39, 388, 651	
	1936	31, 421, 500	
El Aguila.....	1937	23, 753, 644	60, 071
	1933	60, 071	
	1934	25, 750	
	1935	18, 725	
El Oriente.....	1936	3, 250	13, 912, 740
	1937	12, 000	
	1933	13, 912, 740	
	1934	11, 426, 802	
Helena.....	1935	10, 178, 810	115, 939, 185
	1936	3, 533, 941	
	1937	4, 037, 684	
	1933	54, 464, 640	
Katubusan.....	1934	72, 955, 905	269, 420
	1935	90, 198, 450	
	1936	82, 607, 442	
	1937	115, 939, 185	
La Favorita.....	1933	171, 025	1, 725, 840
	1934	269, 420	
	1935	175, 675	
	1936	117, 875	
La Flor de Intal.....	1937	61, 825	1, 664, 606
	1933	1, 725, 840	
	1934	696, 340	
	1935	633, 576	
La Flor de la Isabela.....	1936	1, 102, 736	54, 650, 071
	1937	1, 193, 556	
	1933	1, 664, 606	
	1934	1, 641, 580	
	1935	1, 341, 774	26, 745, 695
	1936	1, 182, 225	
	1937	1, 290, 138	
	1933	54, 650, 071	
	1934	33, 119, 585	26, 026, 835
	1935	28, 141, 830	
	1936	26, 745, 695	
	1937	26, 026, 835	

Manufacturers	Shipment		Maximum shipment (cigars)
	Year	Cigars	
La Flor de Luzon.....	1933	114,000	126,550
	1934	126,550	
	1935	81,000	
	1936	41,500	
	1937	40,000	
La Insular.....	1933	15,054,750	21,155,725
	1934	21,155,725	
	1935	20,055,150	
	1936	5,912,000	
	1937	4,257,350	
La Minerva.....	1933	8,411,051	14,410,557
	1934	14,410,557	
	1935	8,149,983	
	1936	5,070,520	
	1937	2,820,704	
La Yebana.....	1933	1,501,119	8,688,000
	1934	6,926,309	
	1935	7,873,564	
	1936	6,263,445	
	1937	8,688,000	
Phil. Aromatic Cig. Mfg. Co.....	1933		979,700
	1934		
	1935	330,000	
	1936	979,700	
	1937	155,000	
Dapo Cigar Factory.....	1933		10,200
	1934		
	1935		
	1936	10,000	
	1937	10,200	
El Sol de Filipinas.....	1933		40,000
	1934		
	1935	40,000	
	1936		
	1937	8,000	

Whereas among the manufacturers above enumerated, El Aguila and La Favorita are no longer in operation and existence so that the allotments corresponding to them are subject to disposition by the Government of the Commonwealth of the Philippines as provided by paragraph 4, subsection (f), of section 6 of said Public Act No. 300:

Therefore, pursuant to the authority herein stated, it is hereby ordered that:

1. One-half of the effective original quota of 200,000,000 cigars, or 100,000,000 cigars, which may be shipped to the United States during the 6-month period beginning January 1, 1940, and ending on June 30, 1940, shall be allocated among the manufacturers thereof as follows:

Manufacturers	Percentage of maximum shipment to quota of 200,000,000 cigars	Partial allotment (cigars)
1. Alhambra.....	15.77927	15,779,270
2. El Oriente.....	5.01531	5,015,310
3. Helena.....	41.79417	41,794,170
4. Katubusan.....	.09712	97,120
5. La Flor de Intal.....	.60006	600,060
6. La Flora de la Isabela.....	19.70045	19,700,450
7. La Flor de Luzon.....	.04562	45,620
8. La Insular.....	7.62629	7,626,290
9. La Minerva.....	5.19477	5,194,770
10. La Yebana.....	3.13188	3,131,880
11. Philippine Aromatic Cigar Manufacturing Co.....	.35317	353,170
12. Dapo Cigar Factory.....	.00368	3,680
13. El Sol de Filipinas.....	.01442	14,420
One-half of quantity reserved for disposition by the Government of the Commonwealth of the Philippines pursuant to sec. 6 (f) (4) of Public Act No. 300.....	99.35621	99,356,210
	.64379	643,790
	100.00000	100,000,000

2. Shipments made prior to January 1, 1940, may be credited against the 1940 quota, provided they arrive in any part of continental United States on or after January 1, 1940.

3. This quota administration order shall become effective as of January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, February 5, 1940.

QUOTA ADMINISTRATION ORDER NO. 9

Subject: Declarations of Origin Covering Shipments to the United States of the Products for which Quotas are Established by Public Act No. 300, Congress of the United States, Approved August 7, 1939.

Whereas for the proper enforcement of Public Act No. 300 of the Congress of the United States, approved August 7, 1939, it is necessary that the use of materials of foreign origin in the manufacture of the products and articles in respect of which quotas are established by said Public Act No. 300, or in quantities in excess of the amounts allowed thereby, be declared, as now required by existing tariff laws and customs regulations:

Therefore, pursuant to the powers conferred upon me by Executive Order No. 238, dated December 14, 1939, it is hereby ordered that:

1. Every shipment to the United States, including Territories and Possessions, of any of the products or articles for which quotas are established by Public Act No. 300 except sugar, shall henceforth be covered by an affidavit, which shall be filed in triplicate by the owner or manager of the factory in which they were manufactured with the Administrator of the aforesaid quotas, or his duly authorized representative. Said affidavit shall be contained in forms to be provided for the purpose and shall state, among other things, (1) the names of the affiant and the person, firm or corporation, which manufactured the products or articles intended for shipment; (2) that the affiant is the owner or manager of the firm or corporation which is engaged in the manufacture of the products or articles intended for shipment and in the exportation thereof to the United States; (3) that said manufacturer is the holder of an allotment of said product or articles pursuant to the provisions of Public Act No. 300; (4) that said product or articles as specified in the corresponding invoice, which should be attached to the affidavit, are the produce and manufacture of said manufacturer and within the quantity allotted to the same, pursuant to the aforementioned act and the regulations issued thereunder; (5) that the description and other particulars of said products or articles as set forth in the invoice are true and correct; and (6) that said products or articles were manufactured from materials of the growth or product of the Philippines or of the United States, or both, or which do not contain foreign materials to the value of more than 20 percent of their total value, upon which no draw-back of customs duties have been allowed.

2. This order shall take effect immediately.

JORGE B. VARGAS,
Secretary to the President.

MANILA, February 12, 1940.

QUOTA ADMINISTRATION ORDER NO. 10

Subject: Shipments by Parcel Post of Products for which Quotas are Established by Public Act No. 300, United States Congress, Approved August 7, 1939, and Issuance of Export Permits Covering Shipments of Scrap and Filler Tobacco Thereunder.

By virtue of the authority conferred upon me by Executive Order No. 238, dated December 14, 1939, it is hereby ordered that:

1. *Shipments by mail or parcel post.*—The original of every export permit covering any shipment, by mail or parcel post, to the United States, including Territories and possessions, of any of the products in respect of which quotas are established by Public Act No. 300 of the Congress of the United States, approved August 7, 1939, and which do not therefore pass through the Insular Collector of Customs, shall be surrendered by the shipper to the postmaster of the port of mailing, who shall cancel and forward the same to the secretary to the President of the Philippines.

The originals of all export permits covering shipments by mail or parcel post prior to the approval of this order shall immediately be surrendered by the shipper concerned to the secretary to the President of the Philippines.

2. *Issuance of export permits covering shipments of scrap and filler tobacco.*—In all shipments of scrap and filler tobacco for the United States, including Territories and possessions, the shipper shall first apply for the proper certificate of inspection from the Bureau of Internal Revenue, in accordance with existing laws and the rules and regulations of said office on the matter, before applying for the corresponding export permit from the Secretary to the President of the Philippines.

3. This quota administration order shall take effect immediately.

JORGE B. VARGAS,
Secretary to the President;

MANILA, March 7, 1940.

QUOTA ADMINISTRATION ORDER NO. 11

Subject: Reallocating Portion of Cigar Quota Reserved for Disposition by Government.

Whereas, the factory formerly known as La Favorita was not included in the allocation of the quota for cigars established for the Philippines by Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended, as contained in Quota Administration Order No. 8, dated January 19, 1940, because it was no longer in operation and existence, although it was among the manufacturers that had shipped their products to the United States during the 5-year period, 1933 through 1937;

Whereas the allotment corresponding to said factory was, therefore, considered as subject to disposition by the Government of the Commonwealth of the Philippines pursuant to the provisions of paragraph 4 of section 6 (f) of said Public Act No. 127, as amended; and

Whereas on February 26, 1940, the collector of internal revenue certified that the above-named factory reopened on February 17, 1940, after securing a separate assessment number and a corresponding privilege-tax receipt and after complying with the rules and regulations of that office, proving to the satisfaction of the undersigned that it has resumed operations as a manufacturer of cigars and that it can fill the allotment that may be assigned to it:

Therefore, pursuant to the provisions of section 6 (f) (4) of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, and by virtue of the powers conferred upon me by Executive Order No. 238, dated December 14, 1939, it is hereby ordered that:

1. The quantity of 643,790 cigars, representing one-half of the quantity reserved for disposition by the Commonwealth Government as provided in Quota Administration Order No. 8, dated January 19, 1940, is hereby reallocated as follows:

	Percentage of maximum shipment to quota of 200,000,000 cigars	Partial allotment (cigars)
1. La Favorita.....	0.62214	622, 140
2. One-half of quantity reserved for further distribution by the Commonwealth Government pursuant to sec. 6 (f) (4) of Public Act No. 300.....	.02165	21, 650
Total.....	.64379	643, 790

2. This quota administration order shall take effect immediately.

JORGE B. VARGAS,
Secretary to the President.

MANILA, March 20, 1940.

QUOTA ADMINISTRATION ORDER NO. 12

Subject: Amending Quota Administration Order No. 4.

Whereas Public Act No. 300 of the Congress of the United States, approved August 7, 1939, amending Public Act No. 127, approved March 24, 1934, provides, among others, for the continuance of the quota year for cordage established in Public Act No. 137, approved June 14, 1935, but changes the formula for the allocation of the cordage quota laid down in the latter act, effective January 1, 1940; and

Whereas according to the report of the Insular Collector of Customs, the total quantity of cordage shipped from the Philippines to the United States during the 8-month period May 1, 1939, through December 31, 1939, and allocated on the basis specified in said Public Act No. 137, amounts to 4,103,655.97 pounds, which was shipped by the manufacturers thereof as follows:

	Pounds
Elizalde Rope Co.....	2, 641, 042. 09
Johnson-Pickett Rope Co.....	1, 404, 001. 31
Manila Cordage Co.....	58, 612. 57
General Manufacturing Co.....	-----
Total.....	4, 103, 655. 97

and which quantity leaves a balance of 1,896,344.03 pounds from the effective quota of 6,000,000 pounds for the quota year May 1, 1939, through April 30, 1940:

Now, therefore, to carry into effect the new method of allocation provided in said Public Act No. 300, Quota Administration Order No. 4, dated December 18, 1939, is hereby amended so as to read as follows:

1. The balance of the effective quota of 6,000,000 pounds of cordage for the quota year ending April 30, 1940, remaining unshipped as of January 1, 1940, which balance amounts to 1,896,344.03 pounds, shall be allocated among the manufacturers thereof in the following manner:

	Pounds
Elizalde Rope Co.....	1, 062, 735. 47
Johnson-Pickett Rope Co.....	481, 619. 04
Manila Cordage Co.....	350, 000. 44
General Manufacturing Co.....	1, 989. 08
Total.....	1, 896, 344. 03

2. This quota administration order shall take effect as of January 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, April 5, 1940.

QUOTA ADMINISTRATION ORDER NO. 13

Subject: *Cordage Allotments for May 1, 1940, to April 30, 1941.*

Whereas according to the monthly reports of the collector of customs, Philippine cordage producers and manufacturers, during the 12-month period beginning May 1, 1939, did not make any shipment to the United States in excess of the amount allotted to them by Executive Order No. 229, dated October 31, 1939, and Quota Administration Order No. 4, dated December 18, 1939, as amended by Quota Administration Order No. 12, dated March 20, 1940, corresponding to the aforementioned period;

Now, therefore, in accordance with the provisions of Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939, and pursuant to the authority vested upon me by Executive Order No. 238, dated December 14, 1939, it is hereby ordered that:

1. The effective quota of 6,000,000 pounds of Philippine cordage which may enter the United States during the 12-month period beginning May 1, 1940, shall be allocated among the manufacturers thereof in the following manner:

Manufacturers	Percentage to quota of 6,000,000 pounds	Allotments (pounds)
Elizalde Rope Co.....	56. 04128	3, 363, 293. 16
Johnson-Pickett Rope Co.....	25. 39724	1, 524, 203. 88
Manila Cordage Co.....	18. 45659	1, 106, 207. 43
General Manufacturing Co.....	. 10489	6, 295. 53
Total.....	100. 00000	6, 000, 000. 00

2. Shipments made prior to May 1, 1940, may be credited against the quota year May 1, 1940, through April 30, 1941, provided they arrive in any part of continental United States on or after May 1, 1940.

3. This quota administration order shall take effect on May 1, 1940.

JORGE B. VARGAS,
Secretary to the President.

MANILA, May 23, 1940.

QUOTA ADMINISTRATION ORDER NO. 14

Subject: Relocating Unfilled Balances of Cigar Allotments of Minerva Cigar Corporation, El Oriente, Fabrica de Tabacos, Inc., and La Favorita Cigar Factory.

Whereas under and by virtue of Quota Administration Order No. 8, dated January 19, 1940, and Quota Administration Order No. 11, dated March 7, 1940, the Minerva Cigar Corporation, El Oriente, Fabrica de Tabacos, Inc., and La Favorita Cigar Factory have been assigned and are therefore entitled to allotments of cigars amounting to 5,194,770, 5,015,310, and 622,140 cigars, respectively, which said manufacturers may ship to the United States, its Territories and possessions, free of duty, from January 1 to June 30, 1940, pursuant to the provisions of Public Act No. 127 of the Congress of the United States, approved March 24, 1934, as amended by Public Act No. 300, approved August 7, 1939;

Whereas the Minerva Cigar Corporation, El Oriente, Fabrica de Tabacos, Inc., and La Favorita Cigar Factory have manifested to the undersigned, in his capacity as administrator of the quotas established for the Philippines by said Public Act No. 127, as amended their inability to fill their respective allotments and have therefore formally waived and renounced the full quantities or portions thereof and all their rights to the same;

Whereas, on the basis prescribed in said Public Act No. 127, as amended, the Helena Cigar Factory, one of the allottees of the cigar quota under the provisions of said act, is entitled to an allotment of 41,794,170 cigars only, corresponding to the first 6 months of the calendar year 1940, which quantity it has already filled; and

Whereas the Helena Cigar Factory had during the calendar years 1937, 1938, and 1939 an average annual exportation to the United States of 119,064,958 cigars and is therefore in a position to ship much more than the total quantity that would be allotted to it for the entire calendar year 1940 under the provisions of the aforementioned Act:

Now, therefore, by virtue of the powers conferred upon me by Executive Order No. 238, dated December 14, 1939, and in accordance with the provisions of paragraph 4 of section 6 (f) of said Public Act No. 127, as amended, it is hereby ordered that:

1. The total of the quantities of cigars, which have been voluntarily waived and renounced by the Minerva Cigar Corporation, El Oriente Fabrica de Tabacos, Inc., and La Favorita Cigar Factory, amounting to 7,816,910 cigars, is hereby allocated to; and in favor of, the Helena Cigar Factory, thereby bringing the total allotment of said allottee to 49,611,080 cigars for the first 6 months of the calendar year 1940.

2. This quota administration order shall become effective immediately.

JORGE B. VARGAS,
Secretary to the President.



